Daily Report

Latin America

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FBIS-LAT-95-074 *18 April 1995*

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Caribbean Community Responds to Helms Anti-Cuba Bill

FL1804123195 Bridgetown CANA in English 2218 GMT 17 Apr 95

[From the "Broadcast News Summary" for 18 Apr]

[FBIS Transcribed Text] The 13-member Caribbean Community is organising a joint response against an anti-Cuba bill by some American lawmakers. The bill could impact negatively on governments and private sector interests in this region.

Primary initiator of the bill styled "Cuban Liberty and Democratic Solidarity Act" is arch-conservative chairman of the U.S. Foreign Relations Committee, Senator Jesse Helms.

Currently mobilising signatories among Democratic and Republican lawmakers for the bill, Helms has stressed that he wished the legislation to be as "tough and punitive" as possible to prevent not just Americans but citizens of other nations doing business with the Cuban government of Fidel Castro.

OAS Chief's Call on U.S. To Reject 'Isolationism' Noted

FL1504122495 Bridgetown CANA in English 1931 GMT 14 Apr 95

[FBIS Transcribed Text] Washington, D.C., April 14, CANA—Secretary General of the Organization of American States (OAS), Cesar Gaviria has called on the United States to reject protectionism and isolationsim, and to "keep the faith" in Latin America's future despite the current economic crisis in Mexico.

At a recent ceremony at the Wharton School of the University of Pennsylvania, honoring him as "Latin American of the Year", Gaviria said: "I am on the side of those who find sufficient political, economic and social arguments to believe in the immense possibilities offered by Latin America."

The OAS head was the first recipient of the award from the Wharton School, which also presented him with the Distinguished Medal of Honor, the school's highest tribute.

During the speech given at the end of the Wharton School's Fourth Latin American Conference held March 31 in Philadelphia, Gaviria said the "herd instinct" of financial and capital markets was a threat to stability and economic reform in Latin America.

"If investors and bankers hastily jump to the unrealistic and unsustainable conclusion that Latin America is heading toward a generalized crisis and is returning to models of the past, they will actually encourage that process," Gaviria added.

Another threat to Latin America's economic prospects, Gaviria said, "is the potential rebirth of protectionism and isolationism in the United States.

"If those who believe in "Fortress America" and a disengaged U.S. government get their way, then you may forget about all the positive developments that we foresee for the increased relationship between Latin America and the United States."

The OAS chief noted that the United States could have turned its back on Mexico during the recent financial crisis. "But the consequences for the financial markets, for trade, for jobs...could have been disastrous."

Gaviria urged Latin American governments to bolster their domestic savings rates and continue market reform.

"I believe that the fundamental vulnerability of the economies of Latin America is due to the fact that the level of domestic savings and investment cannot support a growth rate congruent with the expectations and needs of the peoples in the region," he said.

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Cuba

Radio Reports 4th Round of Talks With U.S. To Begin 18 Apr

PA1804034495 Havana Radio Havana Cuba in Spanish 0000 GMT 18 Apr 95

[From the "Evening Information Review" newscast]

[FBIS Translated Text] Cuba and the United States will begin the fourth round of migration talks in New York City on 18 April. The meeting could not be held today as originally scheduled due to technical reasons.

The new session will take place at the Cuban Mission at the United Nations and will be headed by Ricardo Alarcon, president of the National Assembly of the People's Government, who has been the chief of the Cuban negotiating team on previous occasions.

On 16 April, in a statement for THE NEW YORK TIMES, Alarcon said the approval of the Helms bill, which seeks to intensify the blockade against Cuba, could seriously jeopardize bilateral relations.

Alarcon reiterated his denial that the Cuban Government has threatened to unleash a new wave of illegal immigrants. He repeated, however, the thesis that the blockade is the main factor that encourages or creates the desire in certain sectors of Cuban society to leave the country.

Alarcon delivered a speech in New York before a Cuban-U.S. audience on occasion of the 34th anniversary of the striking victory over the Bay of Pigs mercenary invasion. He said in his speech that the objectives of the Helms bill will not be achieved with votes in the U.S. Congress but, instead, must be sought and fought for in Cuba.

Alarcon Links Migration, Helms Bill in TIMES Interview

FL1704175695 Havana Tele Rebelde Network in Spanish 1630 GMT 17 Apr 95

[From the "NTV" newscast]

[FBIS Translated Text] Ricardo Alarcon de Quesada, president of the National Assembly of the People's Government, spoke during a ceremony in New York marking the anniversary of the victory of Playa Giron. Furthermore, in an interview with the NEW YORK TIMES, Alarcon stated that the Helms-Burton Bill to strengthen the blockade could provoke the resumption of the massive migration towards the United States. Alarcon is in New York for the fourth round of negotiations on migratory issues with the United States which will begin tomorrow. The meeting will examine the progress of the 9 September 1994 agreements. Alarcon told the NEW YORK TIMES that beginning on 3 May public hearings of the parliament will be held to discuss the Helms-Burton bill which seeks, among other things, to reclaim the properties nationalized in 1959, not only of U.S. citizens but of Batista followers and other exiled Cubans.

Criticizes Helms Bill Objectives

PA1704144295 Havana PRENSA LATINA in Spanish 2056 GMT 16 Apr 95

[FBIS Translated Text] United Nations, 16 Apr (PL)—Ricardo Alarcon, president of the National Assembly of the People's Government of Cuba (parliament), asserted that the objectives of the bill presented by U.S. Senator Jesse Helms against Cuba are not obtained by getting votes in Congress but must be fought and won on the island.

Alarcon spoke last night at an event to commemorate the 34th anniversary of the Playa Giron victory, organized by the Casa de las Americas Socio-Cultural Institution.

The official is in New York heading the Cuban delegation to the next round of official talks on migration issues with the United States, which will begin on 18 April.

Before a large turnout from the Cuban-U.S. community and representatives from several Latin American countries, the head of the Cuban parliament commented on the bill presented by the ultraconservative Republican Senator Helms to increase the U.S. blockade against Cuba.

"What the Helms bill offers the Cuban people is very simple: It not only wants to end the revolution but also to return all the things the revolution justly placed in the hands of the people to the exploiters and oppressors," he stated.

"This is not obtained," he said amid a strong round of applause, "with votes in the U.S. Congress. This has to obtained over there. This must be fought for over there."

He added: We continue to be the only country that, despite its difficulties, has not closed a single school, hospital, or day-care center and has not abandoned anyone in the most difficult year of its history.

Alarcon said that if the United States considers it necessary to punish those who do business with Cuba, it is an admission that such business exists and that there are people in the world who are willing to invest in Cuba.

The Helms bill not only stipulates that the properties of those who were U.S. citizens when the expropriation occurred must be returned, he observed, it also includes all those who are now U.S. citizens but who were not at that time.

"You have to be crazy to think that one can be capable of depriving 11 million people of their homes, schools, hospitals, community centers, and work centers, among others," Alarcon emphasized.

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Next, the Cuban official asked himself how many U.S. citizens had read the bill and how many U.S. newspapers—which consume the world's forests with their many pages and enormous number of copies—had published it.

They talk about democracy here, but many things are done behind the people's backs, he added.

Alarcon announced that the bill would be discussed in Cuba in every factory, school, and inch of the national territory starting 3 May.

We believe in democracy, he said, in the power exercised by the people, and that is why we will do this. We challenge the U.S. Administration to do the same here, and to do the same regarding other bills that will leave schoolchildren without lunches and people without other benefits. Such decisions are always made without taking the people into account.

Regarding the situation in Cuba, he said: "We have adopted measures but not to be similar to the rest of the world, not to go backward, but the other way around, because the changes we have introduced are to maintain our achievements with everyone's consensus."

What democracy in the world, Alarcon asked, discusses with the workers themselves whether a factory should be closed when it is facing economic or supply difficulties, or who is to stop working in that factory.

"I only know one country where it is done, and that is Cuba," he emphasized. Now we will also discuss what they (the United States) want to do to us in Cuba, he reiterated.

Luis Miranda, director of Casa de las Americas, also spoke at the event, commending the attendees their firm and altruistic attitude in cooperating with Cuba and fighting the blockade.

Halvis Tiner, member of the National Committee of the Communist Party of the United States, welcomed Alarcon and his companions to the seat of the organization and asserted: We affirm our solidarity with Cuba in the defense of its liberty and socialist vocation, and we will always denounce the criminal blockade.

Today, when there is only one superpower in the world, it is precisely that country which maintains a blockade against a small country, which only defends its right to exist and to its self-determination.

However, Tiner stated, neither the Torricelli Law nor the Helms bill will last forever because we will all continue to fight for liberty and socialism in Cuba.

For his part, Alarcon thanked Casa de las Americas for the event, which also celebrated the 40th anniversary of this institution, and the National Committee of the Communist Party of the United States, where the event was held, for its permanent solidarity.

The event was attended by Bruno Rodriguez Parrilla, Cuba's permanent representative to the United Nations, many Cuban diplomats, representatives of organizations in Puerto Rico, the Dominican Republic, and other Latin American countries, as well as U.S. solidarity groups.

TRABAJADORES Editorial Criticizes Helms Bill

FL1704205795 Havana Radio Rebelde Network in Spanish 1700 GMT 17 Apr 95

[From the "National Radio News"]

[FBIS Translated Text] "An Attack on All Cubans": This is the headline on an editorial appearing in today's TRABAJADORES which unmasks the colonial nature of the bill that Senator Jesse Helms has presented to the U.S. Congress. The editorial points out that the most reactionary U.S. sectors are today reviving the old dream of annexing Cuba, first expressed 200 years ago. Helms wants to set a judicial pace for the world to follow and to decide via decree who should govern our country, as well as call for the return of property that was justly seized from naturalized U.S. citizens who proved to be Batista supporters and embezzlers.

The editorial adds that the bill would like to return us to a secondary role in an electoral play. The editorial states that the bill intends to make whoever happens to be U.S. President at any given time supervisor over Cuban affairs and to allow for a gradual lifting of the blockade if we behave. The mainstream of the most reactionary individuals and the neoannexationist mafia in Miami identify strongly with this idea.

The editorial points out that the bill also aims to turn the blockade into a siege. The entire world will be obliged to comply if the bill is approved during the next Congress. We would be left without the relations and economic means we need not only to carry out our transformations but also to survive.

The editorial concludes by reminding that the United States has failed in over 150 years of annexation attempts and that the current U.S. President has said that the Helms bill is unnecessary.

One more thing: Not all U.S. congressmen support the bill. Several countries have rejected it. If the absence of reason were to prevail and the bill were to be approved, all Cubans on this island are to remember that love of our fatherland means eternal hatred of those who attack it.

Two Diplomats Expelled From UN Mission; Action Related to 1994 Events

FL1704202195 Havana Tele Rebelde Network in Spanish 0216 GMT 15 Apr 95

[Interview with Eumelio Caballero, director of multilateral affairs in the Foreign Ministry (Minrex), by correspondent Roberto Cavada on 15 April; last paragraph

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read by announcer Pedro Martinez Perez; from the "This Very Day" program—recorded]

[FBIS Translated Text] [Cavada] The U.S. Government expelled two diplomats from Cuba's permanent mission to the United Nations just a few hours ago. This came as a result of an incident that took place on 30 August 1994, in which New York City police officers and Cuban radicals living in the United States participated.

I have invited Eumelio Caballero, director of multilateral affairs in the Minrex who also served at Cuba's permanent mission to the United Nations for four years, to discuss the events and comment on the judicial and historical aspects of this incident.

However, first let us pause and take a look at extensive video footage of the incident which a Spanish-language television network recently aired. [video shows file footage of the struggle in front of the mission, with slow-motion shots and freeze-frames of faces of some participants; audio carries music]

[Caballero] This report does not tell the whole story. There is a bit more to this story. A number of counterrevolutionaries—members of terrorist organizations—gathered in front of the mission, on the corner of Lexington and 38th Street. A group suddenly appeared out in front of the mission and tried to enter via the mission's main door. A struggle ensued. Our comrades tried to do what U.S. police officers should have been doing. That is their job, after all. Many things have been violated here. First, the United States, as headquarters to the United Nations, has signed an agreement with the organization that obliges it to protect...[pauses] ensure the complete protection of diplomatic delegations accredited to the United Nations. Moreover, the accord with the United Nations states that the U.S. Government is obliged to protect...[pauses] to discourage threats and insults and to protect the diplomatic missions themselves, including their dignity and that of their personnel. In this case, the police...[pauses] the New York City authorities are obliged to prevent situations like these. Actually, you can see when they arrive that New York City police reinforcements did not come with a specific purpose. There is no plan of action. They intervened with brutal force. It is interesting to note, however, that force was used unevenly. Instead of coming to establish peace and order with those who had tried-...[pauses] no, who did violate the Cuban permanent mission's immunity, they acted against our comrades. All of this could have been avoided if the U.S. authorities had responded more positively to the Cuban mission's repeated complaints. You must remember that Comrade Felix Garcia was murdered in the early '80s. Effective measures were not implemented. The lamentable incidents we have just seen could have been avoided.

[Martinez] An interesting report by Roberto Cavada and statements by Caballero on Felix Garcia's murder and the impunity with which groups of counterrevolutionaries have acted in front of the Cuban mission in New York many times. Cuba is not the only country to have protested arbitrary incidents in New York over the years. Some have even doubted the U.S. Government's respectability...[pauses] to be UN headquarters. The United Nations has even taken measures to limit diplomats' movements. As Caballero pointed out, there are usually counterrevolutionary individuals situated at Lexington and 38th Street. They rent cars with loudspeakers...[pauses] I remember there was a large contingent of mounted police on hand for President Fidel Castro's visit in 1979. They acted correctly. That was during the Carter administration. It is very clear that there was a provocation in this case. It is not the first and surely will not be the last time. All of this reflects the fact that fascist and terrorist groups—minorities among the Cuban immigrant population—are finding themselves helpless. They have many reasons to be angry: One is that the Cuban Revolution is still standing. As Raul Roa would say, it is standing firm and has survived the most difficult times. Extremist and counterrevolutionary behavior, which is now being echoed in the U.S. Congress, has been largely rejected worldwide, both by U.S. allies and U.S. society. They may have expelled two Cuban diplomats from our mission in New York, but I think that those Cuban diplomats defended Cuba's honor the way it should have been defended. They face these instigators wherever they may be. Finally, I think it was a good lesson. It proved that our diplomats will defend—physically defend—the dignity and sovereignty of our territory. Keep in mind that the mission in New York is under Cuban sovereignty. I invite everyone to read Nydia Diaz's article which complements and expands on this issue, as well as the Minrex's note on this incident.

U.S. Seen To Be 'Losing Ground' as World Leader

FL1304161495 Havana Radio Rebelde Network in Spanish 1155 GMT 13 Apr 95

[Commentary by Eduardo Dimas; from the "Doing Radio" program]

[FBIS Translated Text] Good morning. If anything positive arises from having followed international politics for many years, I think it is that one stops looking at events in black and white and discovers the varying shades in between. One also learns that each government has its own interests and is also subject to tensions, influences, petitions, gratitude, obligations, and blackmailing. In this world in which we live, many concepts must be reevaluated because they have been eclipsed by reality. For example, the so-called second world—socialist nations—no longer exists. Not all underdeveloped nations fall under the classification of Third World, as they may be Fourth or Fifth World nations because of their poverty. Using the term the South to designate all poor nations is no longer an economic, but rather a

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political designation, because in Eastern Europe there are poor nations, and enormous pockets of misery in the developed wealthy nations. The new world order begun with the Gulf War is more disorder than anything else, and the country trying to craft it—the United States—is in no condition to impose it, although certain U.S. leaders believe the opposite.

The United States is the most powerful nation, but its strength—above all it's economic strength—is continually losing ground to Europe and Japan. In 10 years it will be possible to undertake whatever action, without regard to U.S. interests; in fact Europe and Japan are beginning to do so. Leadership, then, is relative, not absolute. The world is in no way unipolar, it is multipolar in the economic and political sense. To be a leader implies to guide the world, but the route proposed by the United States is too confusing to follow. Current U.S. leaders are not to blame, rather it is the result of mistakes made over several years, perhaps dating from World War II, some 50 years now. In other aspects, this development is perfectly normal. The Cold War period, the period of U.S. domination in the West, is ending with the influx of new times. Today's challenges are different.

Regarding the idea of the U.S role as world leader in the Third World, leadership implies a certain inequality among parties. Perhaps with its developed partners in the Organization for Economic Cooperation and Development, or in the Group of 7, it can play this role. But, it cannot play this role in issues regarding a problem between the developed North and the underdeveloped South, because it is an interested party. Somalia, Panama, Haiti, sanctions against Libya, Yugoslavia and Iraq are good examples. In some cases force was used, in others, blackmail and extortion.

It is clear that the United States has neither the political will nor the means to be the leader that some U.S. figures push for. U.S. public opinion is as divided as it was at the beginning of World War II, and it is difficult to find something or someone who can unify it. The diversity of interests that exists in that society will make a unifying element very difficult to find. Values are becoming less moral and the lack of a paradigm could be very dangerous if the extreme right tries to take advantage of the situation, because the realization of the well-known dream of the American Century means that society would become fascist under the United States domination for the duration of a century. Now, certain ultraconservative congressmen seek to impose a world-wide blockade against Cuba, against the grain of the systematic condemnation of this objective at the UN General Assembly. History teaches that the most dangerous time for a great empire is when it is losing its leadership status, because some, or many, of its politicians have grown accustomed to this position and want the world to continue to follow the same rules. Those dreams could become a nightmare for everyone if they intend to make them a reality.

Electoral Process Schedule Announced

FL1704153495 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 15 Apr 95

[From the "NTV" newscast]

[FBIS Translated Text] As of 19 May, the Municipal Assemblies of the Peoples' Government will be held throughout the country. In these meetings the current delegates will give an account of their performance.

The president of the National Electoral Commission described the execution of the program thus far as satisfactory and called for a greater effort to ensure the quality of the process. Through 20 April, citizens with the right to vote will be registered. The next step will be the publication of the lists in public places. On 9 July nationwide elections will be held.

Pinar Del Rio Provincial President Relieved of Duty

FL1804133295 Havana Radio Rebelde Network in Spanish 1155 GMT 18 Apr 95

[FBIS Translated Text] The Provincial Assembly of the People's Government in Pinar del Rio has relieved Jose Marrero Camacho of his duties as president of the provincial assembly and administrative council. The decision resulted from the need to achieve greater improvements in local organisms, and acknowledged Marrero Camacho's efforts, consecration, and dedication in obtaining improvements. Current Vice President Miguel Herrera Contreras was named acting president of the provincial assembly and administrative council until the next election is held.

Sugar Industry Minister Asks Workers To Work Weekends

FL1704153195 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 15 Apr 95

[From the "NTV" newscast]

[FBIS Translated Text] Sugar Industry Minister Nelson Torres urged workers in Ciego de Avila Province to organize their efforts and the agroindustrial process in order to make efficiency a reality rather than a slogan. Torres added that a harvest as difficult as this one requires a superior effort in its final stages. He also called on cane cutting collectives to increase production during the weekends, a vital element to ensuring a stable production.

[Begin Torres recording] We need to take extreme measures on the weekends. We must discuss this with the work forces. We must incorporate competitiveness and motivations during the weekends because it is more difficult to work on weekends. We should even take measures at the municipal level to achieve a higher production on the weekends. [end recording]

Furthermore, it was announced that 13 Agroindustrial Complexes have been nominated to receive the heroic

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deed production medal, an award that will be given to the most outstanding complex in the nation's main economic battle.

'Promptly' Use Fertilizers

FL1804121095 Havana Radio Rebelde Network in Spanish 2300 GMT 17 Apr 95

[From the "Exclusive" program]

[FBIS Translated Text] Sugar Minister Nelson Torres has asked sugarcane workers to promptly take advantage of the fertilizers bought by Cuba for use in the sugarcane sector. Torres explained that Cuba spent $50 million of its limited resources to purchase the fertilizers, because the recovery of the Cuban economy is based on the increase of sugar production.

Torres highlighted that there are no excuses for delays in the employment of fertilizers, or for mistakes in their application.

Regarding other agricultural jobs, Torres stated that Ciego de Avila, Granma, and Villa Clara are the provinces which show more delays.

Geology-Mining Union Registers Recovery in Production

PA1804022395 Havana PRENSA LATINA in Spanish 1540 GMT 17 Apr 95

[FBIS Translated Text] Havana, 17 Apr (PL)—A directorate board member announced today that the Geology-Mining Union of Cuba registered a recovery in all its production indicators and a 60 percent growth in its mercantile production during the first quarter.

Rodolfo Gilart Gonzalez, the organization's technical-production director, said most of the basic goals were fulfilled, citing as an example the extraction of chromium, 60 percent more than planned, and copper in western Pinar del Rio Province's mines, adding they are both exportable.

In statements to AGENCIA DE INFORMACION NACIONAL (AIN), Gilart added: Gold production is stabilizing, and the amount of 20 kg was first achieved at the Castellano field, Pinar del Rio, in March.

Sulfuric acid, another exportable product, is improving, with 9,000 tons in the first quarter. The main consumer is the company Moa Nickel, Inc.

The Geology-Mining Union director also reported that the salt industry began recovering when a Guantanamo company joined the sector. The company was paralyzed until early 1995 due to damage caused by heavy rains throughout that eastern territory.

Gilart said that losses in 1994 dropped more than 60 percent, compared to 1993, which is considered the worst phase within the current period of economic crisis in Cuba. Various enterprises obtained small profits at the end of March, and the trend is to reduce losses to a minimum this year and to eliminate them from the labor system next year.

Article Assesses Nickel Industry Prospects

PA1704233895 Havana PRENSA LATINA in Spanish 0800 GMT 17 Apr 95

["Exclusive" article by Hiram Marquetti Nodarse, PRENSA LATINA collaborator and specialist at the Cuban Economic Studies Center: "Cuba: Nickel Industry, Situation and Perspective"]

[FBIS Translated Text] Cuba is endowed with growing, exclusive natural advantages for the development of nickel, the tapping of which is of significant importance considering the current economic environment.

This industry's initial development can be traced all the way back to the beginning of the century, but its consolidation as an integral part of the country's national economic structure came with the construction of the Nicaro plant, which provided the first sacks of nickel oxide in December 1943.

The island has one of the world's most important nickel deposits, which represents approximately 37.3 percent of world reserves. This percentage has been quantified at 800 million tonnes of lateritics and 19 million tonnes of nickel, a sufficient volume to guarantee a supply for more than two centuries to plants similar in capacity to the three in existence on the island.

The main proven deposits are in Holguin Province, while the biggest are found in the eastern regions of Levisa and Mayari. On the other hand, as relates to minerals, the richest deposits are found in the region of Moa. Although of less significance, there are also other veins in the Bay of Tazo (east of Moa), the plateau of Cajalbaca in the western province of Pinar del Rio, and the plateau of San Felipe (Camaguey, in the central part of the country).

One the of main comparative advantages of the Holguin deposits lies in the fact that it constitutes an 'open skies' mine located near factories, which creates special conditions to ensure relatively low operating and mineral processing costs.

The industry also possesses a solid productive and scientific infrastructure that comprises three plants specializing in nickel extraction and processing: the 'Comandante Rene Ramos Latour' mining-metal combine located in Nicaro, capable of producing 24,000 tonnes per year; 'Comandante Pedro Sotto Alba,' in Moa, with an annual manufacturing capacity of 24,000 tonnes; and the 'Comandante Ernesto Che Guevara' in Punta Gorda, with an annual capacity of 30,000 tonnes.

It also has a mechanical combine that guarantees 80 percent of the spare parts supply and the plants' industrial maintenance; a construction company that handles expansion and maintenance work; and an oil pipeline to

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guarantee that the fuel is received in the bay and sent directly to the industrial sector.

Likewise, the scientific-technical sector includes the Higher Institute of Mining and Metallurgy, the Mining and Metallurgy Industry Research Center, a project center, and Las Lateritas Northeastern Research Center, which receives financial aid from the United Nations Development Program (UNDP). It also involves the operation of small pilot plants to support research and development activities.

A fourth plant, "Las Camariocas," is under construction and is 65-percent complete. It will have a capability similar to the Punta Gorda plant. The first production line, which is 75-percent complete, should begin operating in 1995.

These projections are subject to change given the possibility of reverting current delays in construction and assembly work and the timely arrival of certain supplies.

"Las Camariocas" involved the joint participation of European socialist countries which comprised CEMA [Council for Mutual Economic Assistance], the dissolution of which threatened the project's continuation. However, 82 percent of the equipment was in Cuba, and contacts with western firms were extended to correct the design and introduce substantial improvements, thus guaranteeing its future operation will take place under superior conditions.

The bulk of the nickel products manufactured in Cuba belong to the Class II group, which are characterized by their high nickel content, up to 99.8 percent, an important factor in the manufacture of stainless steel products. This explains why it covers 60 percent of the mineral's international market. This is compounded by the presence of a moderate amount of residual elements, which allows its use in various industrial processes.

Cuba produces and exports nickel oxide (sinter, with 90 percent nickel), granular oxide (76 percent nickel), nodule oxide (65 percent nickel), and fine oxide (76 percent nickel). It also produces enriched sulphur (17 percent nickel and 6 percent cobalt) and sulphur concentrate (55 percent nickel and 4 percent cobalt).

The theoretical capacity of nickel production in Cuba is higher than 50,000 tonnes annually, even though the historic average is 32,000 tonnes, with 46,591 tonnes in 1989 the record amount.

For the past three years, Cuba's goal has been to surpass the 1989 figure, but many different factors have prevented the country from doing so.

The political crisis in Eastern Europe and the subsequent disintegration of the Soviet Union substantially affected the Cuban nickel industry, which placed 75 percent of its exports on those markets and received 87 percent of the insurance [aseguramiento]. This involved additional problems because the raw materials used have certain specifications, thus they cannot be arbitrarily replaced without affecting production.

These factors affected nickel production, which dropped 12.7, 18.3, 30.4, and 7 percent in 1990, 1991, 1992 and 1993, respectively. This drops were accompanied by a decrease in international nickel prices, and consequently a decrease in the revenues generated by the exports, which in 1992 alone equaled 73 percent of revenues earned in 1989.

Along this line, the industry faces other significant limitations as a result of the blockade imposed on Cuba by the United States, which has been dramatically intensified during this period. This blockade systematically seeks to hinder business with Western firms, as well as to impose harsher prohibitions on the import into the U.S. market of products that contain Cuban nickel.

Cuba: Nickel Production 1989-93 [all figures as received, unit of measure not specified]

	1989	1990	1991	1992	1993	1994(e)
Nickel & Cobalt	46591.9	41099.8	33994.2	32446.7	30227.1	315000.0
Ni & Co Oxide	14353.9	7746.1	3382.0	2724.5	3491.5	---.
Ni & Co Sinter	12001.0	13653.9	15595.9	14425.9	12647.5	---.
Ni & Co Fine Dust Oxide	220.0	47.2	57.8	260.0	54.2	---.
Ni & Co Sulfide	9500.0	19319.0	14744.0	15270.3	13576.0	---.
Ammonia Sulfide	517.0	333.2	214.5	260.0	457.9	---.

Source: EEC, Cuba's Statistics Directory, 1989. Annual reports by the Nickel Union, Ministry of Basic Industry.

The preceding factors hindered the implementation of the industrial maintenance programs and major repairs scheduled for the various plants, directly affecting nickel production in this period. They also represent the main obstacles being faced by the industries.

The Industry's Readjustment to New Conditions

The restrictions imposed on the Cuban economy as a result of the socialist bloc's disappearance and the process of reentering the international sphere led to a profound examination of the island's economic potential

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and the introduction of changes required by the complex nickel industry to guarantee the utmost rational and efficient use of resources.

In keeping with this situation, the capabilities of nickel processing plants were expanded to allow them to independently sell and purchase resources essential to their operations. This allowed the industry to begin developing its activities through a plan whereby it would be partially financed by foreign currency starting in 1991. This plan, which was expanded in 1992, allowed the nickel industry to establish direct contact with the world's leading nickel companies and to even reach specific agreements whereby its plants would be modernized and its international trade capabilities broadened.

At present, the nickel industry is connected to over a dozen foreign firms, resulting in the reorganization of its trade apparatus by creating the Caribbean Nickel Trade Company, which is fully devoted to seeking the expansion of agreements with foreign companies and increasing exports.

Also created were Compania General de Niquel S.A. (General Nickel Co.) and an imports company. The former was in charge of operations at nickel plants in Moa, while the latter was in charge of completing the sector's international infrastructure and guaranteeing full attention to the industry's needs.

Previous modifications made it possible for the island to reorganize its international nickel market. By the end of 1990, 70 percent of Cuba's nickel exports were concentrated in the West, with the remaining 30 percent going to Russia. At present, Cuba sells this mineral to 26 countries; 80 percent of its sales are to Canada and other capitalist countries, and the remaining 20 percent to the PRC.

Another important issue is the formation of economic partnerships between Cuban institutions and Canadian firms of increasing importance in the production and worldwide trade of nickel, such as Inco Ltd. and Sherrit Gordon of Canada. Cuba also has a $25 million line of credit from Canadian banks, and Canadian mining companies have continued expanding their economic interests on the island.

Cuban Nickel Exports/Percentage of Exports

Year	Tonnes	Totals
1970	35,627	16.50
1975	30,883	4.60
1980	37,776	4.64
1985	33,376	4.39
1989	46,591	8.15
1990	41,099	6.51
1991	33,994	5.50
1992	32,446	7.50(1)
1993	30,227	7.30(1)
1994	31,500(2)	10.50

1. Author's estimates.

2. Projections by the Nickel Union, Minbas [Ministry of Basic Industries] 1993. Source: The Production and Exportation of Nickel in Cuba 1970- 1992.

The General Nickel Co. and Sherrit recently signed a basic contract whereby they established a joint ownership firm that will be entirely devoted to the worldwide production, refinement, and marketing of nickel and cobalt.

The enterprise will operate through three corporations: Moa Nickel S.A., which includes mining and processing operations in the Pedro Sotto Alba Plant in Moa; the Cobalt Refinery Co. Inc., with its Fort Saskatchewan installations in Alberta, Canada, for refining the mineral; and the International Cobalt Company Inc., which will be responsible for marketing.

The negotiations include the purchase by Sherritt of approximately 50 percent of the raw material to be obtained from the Moa plant for refining in Fort Saskatchewan.

This jointly owned enterprise will make possible a more stable complementary relationship between the two sides, and Cuba will have the real possibility of industrially separating nickel and cobalt thus increasing its revenues from this industry.

In September, Commercial Caribbean Nickel S.A.—a Cuban firm—and the Australian Western Mining Corporation signed a letter of intent to tackle an integral project to evaluate and develop the nickel mining sector.

The operation requires an investment of approximately $500 million.

An important aspect of the preliminary agreements signed with this Australian company is that they include prospecting, exploration, processing, and refining of the mineral obtained from the mines in Pinares de Mayari Oeste, a mining region that until now had not ben included in Cuba's nickel prospecting plans.

There have been proposals from other firms to begin work on the mines in San Felipe, which like the Pinares de Mayari mines, have not been exploited.

In general, the expansion of contacts with foreign firms not only has facilitated an expansion of nickel export markets but has also made possible a significant production and technological restructuring of this industry and an improved utilization of the country's mining potential.

The change of course of nickel exports has forced Cuban producers to adjust to market conditions and to solve traditional international nickel sales problems such as the variability of nickel content in mines, specification problems, mineral mixtures, the presence of metallic and

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magnetic particles in fine nickel oxide, and a high content of oxygen in oxides for use in the iron and steel industry.

In addition to the transformations already listed, there is work on streamlining the payroll and its structure (by reducing the number of workers from 20,000 to 13,000), increasing salaries, expanding same-level labor links, implementing new rules, and modifying labor motivation mechanisms.

As a necessary complement to these reforms, the government plans to make significant investments in the next 10 years within the framework of an ambitious program to technologically renew and modernize the plants.

Part of the investments is being successfully negotiated with foreign investors.

The nickel industry functions with a basis on a coherent and solid strategy that covers all aspects to make this ambitious project a success, but the uncertain situation this mineral is facing in the world market makes necessary higher and more stable production levels so that Cuba may have more clout in the international market of nickel.

The possibilities of reaching a notable nickel production increase, in relation with the average production of the past few years, is improbable because it is necessary to overcome backwardness in industrial maintenance aspects, which in the specific case of some plants, will demand major work. In addition to this, there are problems in expanding the infrastructure used for transporting the mineral from the mines.

The idea of using foreign exchange to finance this industry makes evident the need for the producer to be close to the international market and to directly intervene in it and in the acquisition of supplies this industrial sector requires.

The consolidation of agreements of varying magnitude with the most important international firms in this field, make evident that the economic-opening strategy adopted by the Cuban Government has been suitable.

However, the development of this project has imposed a number of challenges in the business sector in the areas of negotiations and management, and in the area of administration in general. These challenges are producing substantial changes in traditional management forms and methods.

The evolution of this situation is creating the foundations for a far-reaching management revolution.

Association President Assesses Farmers' Markets Success

FL1704220495 Havana Tele Rebelde Network in Spanish 1630 GMT 15 Apr 95

[Interview with Orlando Lugo Fonte, president of the National Association of Small Farmers, by correspondent Rafael Daniel in Sancti Spiritus; date not given; from the "NTV" newscast—recorded]

[FBIS Translated Text] [Daniel] What can you tell us about the farmers' markets after their first six months in operation?

[Fonte] The markets are doing what we thought they would. There were initially some problems with independent farmers—they did not participate when the markets opened—but this is over. Prices are dropping and there are more products for sale as we progress. We know for certain that prices on products such as rice, beans, many vegetables—tomatoes, right now—have dropped because of higher production. The markets' primary goal is to increase production. If we produce more, comply with the quotas, and sell in the markets, we can reduce prices and benefit the people, who would also have more food available.

[Daniel] How do you foresee the farmers markets' future?

[Fonte] The markets have come to stay. As we originally thought, we will have to make changes along the way and implement other measures to fine tune them but always to make them stronger.

Roundup of Economic Developments

FL1704125695

[FBIS Editorial Report] The following is a compilation of reports on Cuban economic developments monitored through 16 April.

On 9 April Cubana de Aviacion expanded their service to include flights to San Jose, Costa Rica. Currently biweekly charter flights service the San Jose-Havana route. Expansion is also planned to include service to Lima, Peru. The Costa Rican wholesale tour operator Eurotravel is financing the flights. (Havana Tele Rebelde Network in Spanish 1630 GMT 10 Apr 95)

The Heroes de Baire Hospital in the Isle of Youth received a food donation valued at $7 million from the world doctors association of France. (Havana Radio Rebelde Network in Spanish 2300 GMT 10 Apr 95)

Isle of Youth's current potato harvest yielded 57,700 quintals of potatoes. Approximately 11 caballerias have already been planted for the next season. Cold storage facilities are ready to store the potatoes for gradual distribution during the year. (Havana Radio Rebelde Network in Spanish 2300 GMT 10 Apr 95)

A total of 33 mills have now reached their sugar production goals. The provinces of Santiago de Cuba, Guantanamo, Sancti Spiritus, Cienfuegos, and Granma are close to reaching their goals. (Havana Radio Progreso Network in Spanish 1100 GMT 11 Apr 95)

The vessel West Islands has arrived in Cuba carrying a donation from Zaragoza, Spain, of over 400 tonnes of supplies. Over 180 tonnes are cleaning materials; nine tonnes are medical supplies earmarked for hospitals. Among other things, the donation also includes eight

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tonnes of school supplies, six buses, four refrigerator trucks and one ambulance. This donation has been collected by Spanish unions, solidarity organizations and others. (Havana Cuba Vision Network in Spanish 0000 GMT 12 Apr 95)

Matanzas is producing over 150 tons of light oil per day from the first drilling of an oil field newly discovered by El Centro Oil Enterprise in Cardenas Municipality. Drilling was completed in only 68 days on well number one. The oil field's full capabilities are being evaluated. (Havana Radio Rebelde Network in Spanish 0900 GMT 12 Apr 95)

Isle of Youth hospitals received on 12 April the biggest food donation so far—12 tonnes of milk, meat and other goods—from the European Union Humanitarian Aid office. Medicine, equipment, and other donations will continue to arrive gradually. (Havana Radio Rebelde Network Spanish 1700 GMT 12 Apr 95)

A shipment of 304 tonnes of milk powder donated by Italy through the UN World Food Program was officially delivered during a ceremony in Havana on 12 April. The milk will be distributed to school children and pregnant woman in Havana and Santiago de Cuba, in schools and hospitals. (Havana Radio Rebelde Network in Spanish 2300 GMT 12 Apr 95)

Ciego de Avila Province has received a donation of water chlorination equipment worth $20,000 from the Doctors Without Borders Organization. More chlorination equipment is expected to arrive shortly and will be distributed through several cities in the province. (Havana Radio Rebelde Network in Spanish 2300 GMT 12 Apr 95)

Antillana steel enterprise ended the first 1995 trimester producing 42,500 tonnes of steel, greatly surpassing similar periods in 1993 and 1994, when production was under 30,000 tonnes. March showed a record production of 17,500 tonnes. (Havana Radio Progreso in Spanish 1100 GMT 13 Apr 95)

In Matanzas Province, an oil deposit—called Guasima 21 A—has been discovered at approximately 2,000 meters. The deposit is of high quality light crude oil without sulfur or water. Estimates indicate that this deposit should have approximately the same amount of crude as the Guasima 18 A well, that is 200,000 tonnes. (Havana Cuba Vision Network in Spanish 0000 GMT 14 Apr 95)

In Holguin, the Rio de Mares Hotel opened. It is the second in the province under joint Cuban-Spanish management. The Cuban firm is Grupo Gaviota and the Spanish firm is Sol-Melia. Two more hotels are currently under construction and, once completed, will be jointly managed by Gaviota and Sol-Melia. (Havana Radio Reloj Network in Spanish 1939 GMT 14 Apr 95)

Matanzas Central Oil Exploration and Extraction Enterprise has produced over 262,000 tones of oil in the first trimester in 1995, exceeding their goal by 9 percent. (Havana Tele Rebelde and Cuba Vision Networks in Spanish 0000 GMT 16 April 95)

Playa Giron Victory Commemorated at Embassy in Beijing

FL1804121195 Havana Radio Rebelde Network in Spanish 2300 GMT 17 Apr 95

[From the "Exclusive" program]

[FBIS Translated Text] Colonel General (Li Jin), deputy chief of the Chinese People's Liberation Army General Staff, attended a ceremony at the Cuban embassy headquarters in Beijing to commemorate the 34th anniversary of the Cuban people's victory in Playa Giron.

Cuban military attache Colonel Jesus Morejon spoke during the ceremony, stressing the historic significance of the event.

Public Assured AIDS Treatment Receiving 'Top Priority'

FL1704213995 Havana Radio Rebelde Network in Spanish 1700 GMT 15 Apr 95

[From the "National Radio News"]

[FBIS Translated Text] The revolutionary government continues to implement its costly health care program despite the fact that the U.S. blockade of Cuba has made it difficult to purchase drugs like AZT, which is essential to treating those with HIV and AIDS. Cuba continues giving AIDS treatment top priority and allots the necessary resources to buy medicine and continue research. Cuba also takes care of feeding HIV-positive patients who have chose to be cared for in a hospital, as well as those who have chosen outpatient care. In addition, Cuban scientists have saved approximately $17 million by developing a diagnostic test which uses chemicals and (?Suma) equipment to detect HIV in an effort to contain the virus. International solidarity organizations have also offered support, and nongovernmental organizations have helped to extend the lives of the ill with donations of medicine. A total of 1,122 of the 1.2 million Cubans tested proved HIV positive; of these, 333 developed AIDS and 229 died. Cuba is the only country offering free tests for early HIV detection; therefore, it occupies a privileged position in the world, preventing the spread of the epidemics.

Haiti

Michel Says 'Nothing Can Block the Electoral Process'

PA1804043695 Port-au-Prince Signal FM Radio in French 1700 GMT 17 Apr 95

[FBIS Translated Text] Nothing can block the electoral process, Smarck Michel stated, which relies on the willingness and the determination of the Haitian people

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to choose their representatives. According to Michel, the general situation of the country this year is much better than that of 1990, even though the insecurity problem, which seems to be generated by the political climate, is frustrating several sectors of national life. Let us listen to the explanations of Mr. Michel:

[Begin Michel recording] [words indistinct] behavior of the population, the insecurity problem is not so bad. But we are moving toward solving the problem. Yes, this is a destabilization mechanism that people are using so that we will not reach our goal. It is our responsibility not to let ourselves be trapped. I believe we must have determination. Elections cannot be prevented. First, we are not in 1987, when a team of terrorists were supported by the military institution to destroy the elections. Now, the military institution cannot support anybody, and if it makes a bad move, it does not have a place to hide. So, in my opinion, we will not experience a repeat of 1987. On the other hand, there may be actions aimed at making us believe that they can hamper the elections. [end recording]

Prime Minister Smarck Michel explained that he would tender his resignation if President Aristide requests it. Michel made these statements today at the Prime Minister's Office during an assessment of his first six months in office.

Suspect Arrested in Bertin Murder Investigation

PA1704164695 Port-au-Prince Radio Metropole in French 1030 GMT 17 Apr 95

[FBIS Translated Text] [Announcer Rotschild Francois] Haitian police apprehended Mr. Claudy Lacroix in Port-au-Prince on 14 April within the scope of the inquiry into the assassination of Attorney Mireille Durocher Bertin. The news was announced by Eric Falt, was it not, Clarens?

[Announcer Clarens] Yes, indeed. This is the first arrest made within the scope of this affair. The Haitian interim police were assisted by the civilian and military components of the UN Mission in Haiti and also by FBI agents who are also investigating in Port-au-Prince.

Claudy Lacroix was arrested on 14 April in his home. He supposedly lives in the area surrounding Ruelle Nazon. He has been detained and questioned regarding his possible participation in the 28 March 1995 shooting death of Attorney Mireille Durocher Bertin and her client, Eugene Baillergeau. No further information is available as to the identity and profession of Claudy Lacroix.

Neighborhood Conflict in Cap-Haitien Injures One

PA1704171995 Port-au-Prince Radio Metropole in French 1045 GMT 17 Apr 95

[FBIS Translated Text] There was a confrontation between supporters and opponents of a candidate for deputy in two slum neighborhoods in Cap-Haitien on the night of 16 April. Burning barricades were even erected last night in the nation's second largest city. We will have a report from Guilleauto Francois in Cap-Haitien.

Concerning the elections, we hasten to add that there is still no agreement between the Provisional Electoral Council and the political parties, which demand the recomposition of the Departmental Electoral Offices and Registration and Polling Stations.

As we reported earlier, there were incidents and confrontations between supporters and opponents of a candidate for deputy. Here is a report by Guilleauto Francois.

[Begin Francois recording in Creole] Cap-Haitien has been turned upside down over the past 48 hours because of a conflict between two opposing slum neighborhoods of this city; that is, Cite Lescot and L'Abattoir neighborhoods are in conflict over political questions linked to the elections. They seem to have differences over how the electoral process is going, and the two parties are making pointed remarks at each other.

From the night of 15 April until yesterday, 16 April, the situation was very tense in Cap-Haitien, where there were confrontations and tension between several people in Cite Lescot and L'Abattoir. The confrontations caused one serious injury to a person who is allegedly a candidate for deputy. The attacks were carried out with blades, which means the two parties used knives, machetes, and axes.

Tensions rose and fell, sometimes blocking one of the main streets of Cap-Haitien. Late yesterday, 16 April, tires were burning in Cap-Haitien a few meters from Barriere Bouteilles. Automobile traffic was blocked. Both parties were armed to the teeth with machetes, knives, and pikes. The members of the UN force have not yet brought the situation under control. If the conflict persists, the actions could become more violent because the current atmosphere is one of true tension between these two slum neighborhoods. Guilleauto Francois, Radio Metropole in Cap-Haitien. [end recording]

This report by Guilleauto Francois was recorded on the night of 16 April. We do not know if the situation is calm for the moment in Cap-Haitien or if the confrontations resulted in any more injuries between the two groups.

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Government To Use Part of $20 Billion Granted by U.S.

PA1804033395 Mexico City NOTIMEX in Spanish 0120 GMT 18 Apr 95

[FBIS Translated Text] Mexico City, 17 Apr (NOTIMEX)—The Finance Secretariat reported today that the Mexican Government this week will utilize, through medium-term swaps, $3 billion of the $20 billion granted by the United States in February.

In a communique, the secretariat stated that this amount will be drawn on 21 April and that the resources from this operation will enable Mexico to refinance matured short-term liabilities denominated in foreign currency.

The instruments to be refinanced include matured Treasury Bonds (Tesobonos).

The short-term liabilities abroad to date have been considerably reduced, and the number of Tesobonos in circulation dropped from $29.2 billion at the beginning of January to $15.5 billion on 12 April, the Finance Secretariat stated.

It explained that the resources to be drawn this week, "in keeping with the guidelines of the current economic program," are added to the $5 billion that have been disbursed to date from the package the United States granted to Mexico.

According to the communique, the net payments abroad for Tesobonos and the foreign public debt during the second quarter of the year are significantly lower than those during the first quarter.

The secretariat stated "this, in addition to the previously mentioned support, will contribute to maintain stability in the financial markets."

This disbursement "represents another sign of the confidence existing abroad with regard to the economic measures Mexico has implemented," it added.

PRI Leadership Rejects Charges Against Deputy

PA1804044195 Mexico City Radio ACIR Network in Spanish 0000 GMT 18 Apr 95

[Report by Juan Carlos Escovedo at the Institutional Revolutionary Party headquarters in Mexico City; from the "Evening News Panorama" newscast]

[FBIS Translated Text] A few minutes ago, speaking on behalf of the National Executive Committee [CEN] of the Institutional Revolutionary Party, PRI, Heriberto Galindo, the PRI information and propaganda secretary, described as inadmissible the slanderous charges against Deputy Ignacio Ovalle Fernandez. Galindo read a communique signed by all the members of the PRI CEN in support of Ovalle, who is also technical secretary of the National Political Council and former director of Conasupo [National Company for Basic Commodities].

As you may recall, in a recent statement, Fernando Rodriguez Gonzalez, who has been sentenced to 50 years in prison for being one of the masterminds of the assassination of Jose Francisco Ruiz Massieu, mentioned Deputy Ovalle Fernandez as one of those involved in the crime against the late PRI secretary general. This afternoon, the PRI CEN demanded that the Attorney General's Office issue a clarification in this regard. Let us listen to the main part of this communique as read by Heriberto Galindo:

[Begin Galindo recording] It is inadmissible that there is an attempt to renew a campaign to discredit the PRI on the basis of facts that have been unequivocally clarified in a timely manner. In the recent past, the national leadership of our party was the target of attacks based on vile slanders aimed at harming the image of Mexico's majority party. There is now an attempt to do the same thing with one of our leaders, and we are not willing to permit it. Therefore, we ask the Attorney General's Office to issue a statement on this matter to clarify this slanderous situation. [end recording]

Heriberto Galindo also issued a message to the news media, stating: We ask you to be especially careful when the honor of an individual is at stake. For example, the statement of a convict must not be given the value of a decision by a judge.

I repeat that the communique was signed by the entire PRI CEN. It was also announced that tomorrow at 1000, Deputy Ignacio Ovalle Fernandez will hold a news conference in this regard at the Chamber of Deputies.

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Guatemala

De Leon on Fiscal Reform, U.S. 'Pressure'

PA1804040495 Guatemala City SIGLO VEINTIUNO in Spanish 17 Apr 95 p 4

[Interview with President Ramiro De Leon Carpio by Juan Luis Font on 11 April; place not given]

[FBIS Translated Text] [Font] The time you have left in your post does not look very easy. There are at least two issues sparking a crisis in your administration: the accusations from the United States against the military and the fiscal issue.

[De Leon] One week ago, I would have added one more issue to that list: farm invasions, however, that issue has been resolved now. Two weeks ago, we could have added yet another issue that was prompting a crisis: kidnappings. Although this issue is not entirely resolved, we have brought it under control. The media has not reported any more kidnappings.

[Font] The media does not usually report kidnappings at the request of the victims' families.

[De Leon] That is not the case this time. There have been no more kidnappings because major groups committing this crime have been arrested.

What I am trying to say is that there have always been problems in Guatemala. I took charge of a country that was imbued in socioeconomic and political crises, and we have been solving these problems little by little. Now, I am facing economic woes.

[Font] You are talking about resolving the fiscal issue. however, the confrontation between your government and the organized private sector seems to be growing because of the customs tariffs standardization.

[De Leon] Not all the groups that belong to the CACIF [Coordinating Committee of Agricultural, Commercial, Industrial, and Financial Associations] object to the customs tariffs standardization. Two state organizations took that measure. I am confident it will lead us to solutions.

[Font] Is this measure aimed at encouraging the resumption of talks between the private sector and the government?

[De Leon] We did not take this measure with that intention in mind, but political measures are taken to see how the other party reacts. We do not want a larger state of confrontation.

[Font] That, however, seems to be the case.

[De Leon] I do not think so. Tradesmen agree with this measure. I repeat: I have received calls from concerned industrialists, as well as from others who think it is a bold antishock [previous word published in English] measure that will lead us to positive results if industrialists are determined to use their capabilities to the fullest.

[Font] What new fiscal reforms will the deputies discuss?

[De Leon] The income tax law, the law on mercantile businesses, and the 8-percent tax the Constitutionality Court suspended. I believe businessmen agree with most of these problems. The private sector interlocutors are perhaps the ones who failed.

[Font] Could it not be that the government interlocutors are the ones who failed? Your finance minister is being seriously questioned.

[De Leon] I am the interlocutor for businessmen. She is merely a specialist, and so is her team. They present me with options and I make the decision.

[Font] Do you think the customs tariffs standardization will create the funds the treasury needs?

[De Leon] I again insist that this is a political measure that the finance minister was not exactly recommending. The economic cabinet made me see the negative effects this measure could trigger. I asked the members of this economic cabinet to prevent these effects.

[Font] They must have mentioned the possibility that the exchange rate could skyrocket.

[De Leon] That is so, but their obligation will be to stop this from happening. I am currently trying to strengthen the fiscal reform and, to this effect, I am promoting the laws that will become known to the congress after the Holy Week. We will make a decision to standardize the custom tariffs once we manage to reinstate the original fiscal structure that was overturned by the rulings of the Constitutionality Court.

[Font] What exactly are you waiting for to reconsider the standardization of customs tariffs?

[De Leon] Well, this depends on the reaction of the private sector, because who knows what consequences it would have if we clash on this issue.

Any decision on this measures would, of course, be made in agreement with the Congress and the political parties represented in it. Confrontations sometimes generate positive developments. For the first time in history there is a solid unity between two branches of the state.

[Font] That is to say that you are governing with the parties that are represented in congress.

[De Leon] I have the advantage of not having a party. I will continue to be impartial in the elections, and this will allow me to have good relations with all.

That is why I would never sit down with the private sector or make a decision on the fiscal issue without consulting with the political parties.

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[Font] This, undoubtably, diminishes your power because you have to share the decisionmaking.

[De Leon] No, no, no. I must consult in this specific decision with them but I feel very strong.

The importance of this is not that the fiscal reform will provide funds for my government. I have said, a bit metaphorically, that I will get to January even if I have to scrape to get there. It is important because this is what will allow the next government to have funds to take action.

[Font] The businessmen with whom you have talked must have told you that they feel compelled to transfer their industries to El Salvador, which has economic conditions that are much more favorable than the ones in Guatemala.

[De Leon] Not necessarily. The possibility of establishing standardized custom tariffs between El Salvador, Costa Rica, and Guatemala will come up again shortly. I cannot say anything about this but conditions are not going to be the way you picture them.

[Font] Regarding the tax on trading partnerships that will replace the 1.5 [not further specified] on a firm's assets, won't this be questioned because it would be a double taxation?

[De Leon] No. It is presented in such a manner that there is no way it can be questioned.

[Font] Can your government depend on a customs system in which corruption prevails?

[De Leon] This is not the only place where there is corruption. A system of corruption has taken roots in all the government branches, but we have already taken the first big steps to end all this. We no longer have confidential expenses.

[Font] Are you sure that your presidency has not incurred any expenses that are not backed by invoices and payment receipts?

[De Leon] I am sure. The confidential expenses no longer exist.

[Font] Not even the social funds that are managed by the presidency?

[De Leon] They were eliminated and transferred to social projects.

[Font] Why are you keeping the finance minister in her post?

[De Leon] Because of her capability, her honesty, and her loyalty to the president. No previous minister has had to face so many problems in the Finance Ministry. She has been able to solve many of those problems.

[Font] You instructed her to increase fiscal revenues. Has she accomplished the mission?

[De Leon] Yes. Proof of that is that in February and March we exceeded our tax collection goals. I believe a minister is good if she accomplishes what the president asks her to do.

[Font] Despite the requests made by the private sector, you have not allowed Ana de Molina to leave your cabinet, however it was not too difficult to let Economy Minister Eduardo Gonzalez go.

[De Leon] There are two reasons. The Economy Ministry is a ministry that is working well, and it does not have the importance it used to have. It has no problems in the foreign trade field. In addition, Gonzalez was replaced by an excellent professional.

The second reason is that Eduardo Gonzalez submitted his resignation. A president, especially one in his final year in government, needs solidarity.

Eduardo was a good minister. I recognize his capabilities, but he resigned during the crisis. A minister should remain with the president during good and bad times.

[Font] He would not be the first. The former communications minister said he resigned because of lack of funds to fulfill his obligations.

[De Leon] That was a different case.

[Font] What is the difference?

[De Leon] I asked him to resign for special reasons.

[Font] What were those reasons?

[De Leon] I prefer not to go into that, but to say that two ministers have resigned in the past month is not true.

In the political measures I have had to take in my government, I have had ministers who have supported me many times against their own opinions. That is the finance minister's case at this time. She does not agree with the standardization, even though it offers her immediate results.

[Font] As for the military issue, since the United States started pressuring the government for the investigation of the Bamaca and Devine murder cases, you look like a nut inside a nut cracker.

[De Leon] I do not feel pressured. I would say so if it were true.

[Font] How do you feel?

[De Leon] Strengthened. I have told the military officers that the...eh...that the problems stemming from the war, the problems stemming from the internal armed conflict, are going to be dealt with institutionally. A war is a war here, in Vietnam, in France, and anywhere else. In this regard there is a clear commitment by the Army with me, however, specific problems such as crimes, that is different. These cases should be handled by the courts, and here is where the CIA comes in. I have tried to explain it but it is not an easy topic to understand. There have been

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people involved and there will continue to be people involved. It is necessary to share information in issues such as drug trafficking. If we compare it to the aid given to us by the CIA (it is said they have given us $8 million) with the benefits they obtain, for example, preventing the arrival of thousands of kgs of cocaine into the United States, I think it is a fruitful investment.

[Font] Is that relationship healthy?

[De Leon] If it is legal and lawful, it is healthy. I have always said there are no illegal links with the CIA. How could anyone think that if I knew that Colonel Alpirez or any other officer was a CIA informant, I would permit it? The moment that I would find out about these things I would immediately take him to court. We are waiting for evidence to undertake such an action. But the evidence must come from the United States.

I do not feel pressured because the Army is very clear about my position.

Now then, as for the other pressure, I feel very calm with regard to the United States. If they do not provide us with the evidence to accuse anyone, we are going to issue a communique in reference to all the statements that have been made. Regarding the case of Michael Devine, we will make known what has not been said in the United States: that there are five Army specialists sentenced to 30 years for this crime.

[Font] Will you also say that the only officer to be convicted escaped immediately after learning of the sentence against him?

[De Leon] We will say it, but we are also going to carry out actions to try to recapture him and if we need to get to someone who is in a higher position, we will do so.

The Bamaca case is different. It is the result of the war. To my satisfaction, the two cases occurred in previous administrations. There have been no such cases in my adminstration.

[Font] Nevertheless, it is you whom Warren Christopher has asked for an in-depth investigation of the two murders to find those responsible?

[De Leon] I have always defended the fact that, unlike what Mrs. Harbury has said, neither I nor the Army held Bamaca prisoner. I also denied the existence of clandestine jails. I have denied this because my investigation of the case, as human rights ombudsman, led me to conclude that he was already dead. How and when he died are another thing. Not even now as president do I know. But my conscience is clean that there are no clandestine jails, that he is not alive, and that he is not being tortured.

The way that he died must still be investigated. This is an ide' case for the Commission for Historical Clarification, because if we are going to right now clarify all the cases, peace will never get here. Here we have all the mechanisms for investigations, without boasting about them. Nevertheless, the most serious problem is not in Guatemala. It is in Washington. A federal agency has been accused of committing crimes in Guatemala. That is very scandalous for domestic politics in that country.

[Font] Is discontent not created inside the Army when your presidential chief of staff is mentioned as a CIA informant?

[De Leon] But this does not have repercussions on me. It is seen there as a scheme, a strategy against the Army.

[Font] How much more pressure can the government withstand?

[De Leon] One cannot try to dominate the real powers because you will be thrown off, but neither can you go on your knees before them. I am referring to the internal powers. One cannot try to defeat the business power, the Army, but neither can one set aside dignity. The same thing is true with the extraterritorial powers. It would be ridiculous to try to confront an empire like the United States, but neither am I going to go to it on my knees simply because one of its two political parties is developing a strategy to destroy the CIA.

[Font] Doesn't that interest of the democrats to purge the CIA coincide with the State Department's desire to purge the Army?

[De Leon] Indeed, but they should let us do our own purging. The Army itself is aware of the need for a total reorganization.

[Font] But should it be the Army that decides what type of purging should be undertaken in its ranks?

[De Leon] It is should be Guatemala as a nation.

[Font] According to you, what type of purge is currently being undertaken?

[De Leon] A needed reorganization is being prepared. I would say it is the institution that is preparing itself the best for the new times. It will be a smaller Army but with greater quality.

[Font] Do you know about the discussions between the hard line and the institutional line within the Army?

[De Leon] No. I am not going to say there are still people going around complaining, but from the point of view of officers, there are no hard lines or institutional lines. All officers favor changes even though they may have different criteria. There are currently no hawks or doves. There is a stable and united Army.

[Font] You were about to lose your government minister as well because he disagreed with the participation of the Army in the citizen security plans.

[De Leon] That was a poor interpretation of what a specialized group does against kidnappings. There have never been discussions of that type.

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[Font] Why did your government wait for the appearance of a public campaign against you before ordering the evacuation of the farms?

[De Leon] What I had to wait for were the judicial orders, which were not ready. I ordered the Government Ministry to take action and a plan was drafted, but all of that takes time.

[Font] Regarding the participation of the URNG [Guatemalan National Revolutionary Unity] in an electoral political front before the conclusion of the talks, don't you think the signing of a peace agreement is remote?

[De Leon] I think this participation is positive even though the conditions may not be favorable. The peace process is making progress.

[Font] Are you confident the peace agreement can be signed?

[De Leon] I am confident, but I am also realistic. The topics that remain to be discussed are very difficult. Even if an agreement is not signed, much progress will have been done.

[Font] Have you been able to convince the deputies, with whom you now have good relations, to withdraw their confidence vote against education minister?

[De Leon] We have not discussed that topic. I believe Celestino Tay is an excellent minister.

[Font] Are you thinking about your retirement?

[De Leon] I plan on writing about my experiences in the various public posts, and I plan to get closer to my family, but there are two things that stir my emotions: to continue defending human rights in Latin America and to continue fighting corruption. In addition, the president of the International Ombudsman Organization has invited me to organize a conference in Argentina.

[Font] Are you anxious to leave the presidency?

[De Leon] There are times in which I am desperate to leave power, but this is not necessarily one of those times. It is not that I like crises, but I think I move better in them than in peaceful waters.

De Leon: Harbury Need Not Fear Government Reprisal

PA1704175995 Guatemala City PRENSA LIBRE in Spanish 17 Apr 95 p 28

[FBIS Translated Text] I condemn, *regardless of its origin, any attack being planned against Mrs. Jennifer Harbury, who must not fear any reprisal from the Guatemalan Government*, attorney and President Ramiro de Leon Carpio has stated.

The president thus referred to U.S. State Department and press reports about the possibility of a plot being planned against attorney Harbury.

According to such sources, a possible attack could be in the making as a result of Mrs. Harbury's followup to the case of guerrilla commander Efrain Bamaca, alias *Everardo*, her alleged husband.

De Leon Carpio added that Bamaca died in 1992 during the former regime when De Leon was human rights ombudsman.

Mrs. Harbury must not fear any reprisal on the part of my government, either in the United States *or in Guatemala, in the event she returns to this country. I have issued precise instructions to have the report investigated*, De Leon added.

The president said that as an attorney, man of law, and former human rights ombudsman, he could never allow such a thing.

If there is any evidence found of an attack being planned, the culprits will be penalized according to the law and courts of law, regardless of their origin or of the sector implicated. I have maintained a steadfast struggle in defense of human rights, as human rights ombudsman before and as president today, De Leon concluded.

Honduras

Discua on Attack Against Reina, Aircraft Crash

PA1804043595 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 17 Apr 95

[Report by Roberto Reyes Pineda from "The Morning Paper" newscast—passages within quotation marks recorded]

[FBIS Translated Text] Luis Alonso Discua Elvir, Honduran Armed Forces commander in chief, has downplayed charges from the Committee of Relatives of Missing Prisoners in Honduras [Cofadeh] that the attack on President Carlos Roberto Reina in San Pedro Sula was carried out by members of the military institution. The general has also issued an appeal for an end to speculation over the causes of the air accident in which Mario Reina, nephew of the president, died.

Roberto Reyes Pineda has a report on the statements by Armed Forces Commander Luis Alonso Discua Elvir:

[Reyes] Armed Forces Commander Luis Alonso Discua has downplayed Cofadeh charges that members of the Armed Forces have attacked President Reina in San Pedro Sula. A grenade exploded at an event in which the president was participating in that city. Discua has also made an appeal for an end to speculation over the causes of the air accident in which four people died. He has said such speculation pokes at the suffering of relatives:

[Discua] "No, I have no explanation, no answer. This is absurd."

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[Reyes] The Armed Forces chief was told that according to the Cofadeh report, Jordi Montanola is one of the people involved. Discua was asked about this matter:

[Discua] "No, no, no. Our purpose is to protect the president. We give him all our cooperation, support, and help and security. He is our responsibility, especially mine. Whatever may happen is our responsibility. He is being protected."

[Reyes] The military commander has said the investigations into the accident of the Air Force light aircraft in which four persons, including Mario Reina, nephew of the president, have died continue. Discua has said U.S. laboratories examining evidence will provide specific information:

[Discua] "Remember, we are sending airplane pieces to a U.S. laboratory. We will be receiving much technical information to determine what actually happened."

[Reyes] The nation's attorney general has said action will be taken against the officer who kept forensic officials from the Attorney General's Office away from the site of the accident. The general said:

[Discua] "The forensic authorities were at the air base. I know that for a fact. I was there from the beginning to the end. The forensic authorities were there."

[Reyes] The forensic authorities were there, but there was no autopsy according to reports:

[Discua] "This is something beyond my control. The prosecutor knows I was in favor of helping and cooperating not only in this case but in all cases.

[Unidentified reporter] "It has been reported that President Reina will bring foreign experts to inspect his flights.

[Discua] [Words indistinct] "...I do not know. I have no information on that matter. These speculations are going too far.

[Reporter] "Could this mean the Air Force does not have enough personnel?

[Discua] "We have very capable people.

[Reporter] "Is this speculation?

[Discua] "There is much speculation on this matter. No one has spoken about the two pilots. An effort is being made to give the problem a political slant. The four who died are at peace with the Lord. We must show respect for their relatives. I believe that daily radio, television, and newspaper reports bring pain to relatives. I believe the victims should be allowed to rest in peace."

[Reyes] The Armed Forces chief has also reported there is no ban on Air Force aircraft flights, only on those using the same type of fuel used by the aircraft that crashed:

[Discua] "Remember, not all planes use the same type of fuel or supply system. Only the planes using the same type of fuel and supply system have been grounded. We are conducting an investigation to prevent this kind of accident in the future although we cannot foretell there will be no accidents. They do occur."

Panama

PTJ Director Target of Assassination Plot

PA1804145995 Panama City LA PRENSA in Spanish 18 Apr 95 p 1A

[Report by Vilma E. Figueroa B. and Rolando Rodriguez]

[FBIS Translated Text] Assistant Prosecutor Carlos Augusto Herrera has reported that one inspector and three detectives of the Judicial Technical Police [PTJ] have been detained for their reported involvement in a plot to assassinate PTJ Director Gabriel Castro.

The plot was reported in a news conference by Herrera and Castro himself, who said the assassination was to be carried out yesterday by two individuals already detained and whose names were not revealed.

Herrera added that the reported conspiracy to kill Castro includes a drug trafficker who has been in a PTJ prison for three months.

Castro said he was alerted by an "anonymous" caller, who said that if Castro visited the cells, as he usually does once or twice a day, he would be executed then and there in a moment of confusion.

Herrera, in turn, said that the reported plotters "are Panamanians who would take advantage of the scuffle of other inmates. One of the plotters was to execute Castro, according to our reports." Castro said the killer would collect $150,000 for the "job."

Castro said that a .25-caliber pistol, an ammunition clip with four rounds, one knife, and a pair of gloves—to prevent any fingerprints on the weapon—were found in a PTJ closet early yesterday. The drug trafficker reportedly had a key to this closet.

"I want to tell the person who masterminded this attack—Castro warned—that I will not take one step back; I will keep going."

Two or three weeks ago, members of the PTJ seized the knife from a lawyer who had it in his clothes, Herrera said, but the source affirmed the lawyer was not involved in the attack.

In addition to announcing that the incident will be investigated, Castro stressed that changes and "complete" reshuffles will be made within the PTJ, "because irrespective of the fact that I was the target of this attack, the purge (in that institution) must continue."

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Over 200 PTJ agents have been dismissed or have left the institution in the past five months for involvement in alleged corruption cases, including extortion and assassinations, according to Castro's charges.

There are 50 high-ranking officers and some 150 lower-ranking agents among the dismissed PTJ members.

This is the second alleged plot against authorities that has been dismantled so far this year.

The first one was the alleged plot planned by several civilians and 11 members of the National Police to assassinate President Ernesto Perez Balladares. This case, however, was closed on 16 February by Attorney General Jose Antonio Sossa, who said there was no evidence against the accused.

The alleged plot was dubbed "Action and Control" and was going to be carried out during the inauguration of the Boquete Fair in Chiriqui Province. The plan consisted of convening a civic-military junta following the assassination. Sossa stated, however, that he never received tangible proof, material evidence, or direct testimonies to continue with the case.

As for the alleged plot against Castro, Assistant District Attorney Herrera will conduct the corresponding investigations.

Final Decision on U.S. Bases Must Be Discussed

PA1704232395 Panama City LA ESTRELLA DE PANAMA in Spanish 17 Apr 95 p A-4

[Editorial: "The Negotiation of the Bases: A Delicate Decision"]

[FBIS Translated Text] The Panama Canal and the turning over of U.S. military bases installed along its banks have recently become a controversial issue, encouraged by the people's zeal, and groups representing the people through labor unions and business or civic organizations have issued statements in this regard.

We are quickly approaching noon 31 December 1999, when the last U.S. Army gendarme must depart and, according to what is stipulated, when Panama must assume total control of its territory. This point has prompted a series of doubts and worries that have become a national debate.

Certain people argue that the U.S. bases, established here at the turn of the century, must be eliminated and that the state must assume full responsibility of the land that bases now occupy, fully exercising its sovereign rights. Others believe more than 5,000 people will lose their jobs and be left without economic support once the bases close; so the government must find an adequate solution to this social burden, because the unemployed may become a dangerous detonator against peace.

A financial concern has also emerged; that is, the country will cease to receive indirectly no less than 300 million balboas once the U.S. military lowers its flag and leaves. For an anemic economy, this contribution is an important one for its development.

The country is facing a dilemma due to this situation. The bases either close or the treaties are negotiated to extend the presence of the United State in our country, provided it does not harm our sovereignty and territorial integrity.

Any final decision must be thoroughly discussed from one end of the country to the other so no leading group fails to state its opinion.

If the general opinion is that the United States should leave the country, then the state and business groups must find a solution, either to develop tourism, to support agricultural development, or to create industrial sectors so their income supplies the 300 million per year that will no longer be received. They must also create the necessary jobs for those who will no longer work at the military bases even though they are still useful human resources.

If the decision is to negotiate the treaties, to extend the presence of the military bases, then conditions must be established to yield the necessary financial resources so the country may receive, under decorous conditions, an adequate income for the use of its territory.

Following the necessary consultations, the state must cautiously adopt a decision so the country may emerge successfully among all the nations of the world, supported by the will of the people who have voted in favor of the final decision.

Torrijist Alternative Splinter Group Emerges Within PRD

PA1804013695 Panama City LA PRENSA in Spanish 17 Apr 95 p 4

[Report by Jose Quintero De Leon]

[FBIS Translated Text] The first split within the Democratic Revolutionary Party (PRD) rank and file has emerged due to dissatisfaction toward President Ernesto Perez Balladares' leadership, and a splinter group has now completed all initial requirements to become a political party before the Electoral Tribunal.

"We have decided to create a new political party, the 'Torrijist Alternative,' because we believe this government and the PRD leadership are not Torrijists. They have deviated from the ideology of the party founder," Manuel Perez, founder of the new Torrijist current, has said.

Perez, a business administration and banking graduate specializing in small- and medium-size enterprises, describes himself as a social democrat, and he states his confidence that the new current will capitalize on the

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dissatisfaction felt by the members of the Torrijist grassroots who have been sidelined and who aspire to a worthy life.

He believes in the need for a new current to retake Omar Torrijos' ideology, given the Perez Balladares administration has been a "great disappointment" to its thousands of followers. "Omar fought for the less privileged. Toro only looks after the rich," he said.

Expounding on a vigorous vision that Panama's socioeconomic future lies in developing the small- and medium-size enterprises, Perez has said President Bill Clinton's victory was due to his promises to support small U.S. businesses, because he believed in them.

At any rate, Perez questioned the president's outlook, when he notes the General Federation of Micro-, Small-, and Medium-size Enterprises has been trying to meet with him for the past three months in order to propose the need to implement an incentives law that will benefit this sector, but he has not indicated any interest.

Perez asked: Considering the manner in which he is governing, how does he expect the people to reelect him when they are enduring an economic situation in which each passing day brings more unemployment and the so-called national agreement is intended only for the oligarchy?

According to Perez, what Perez Balladares is trying to do is emulate recently reelected Peruvian President Alberto Fujimori. Yet, he failed to consider that Fujimori has made his country's economy grow and eliminated terrorism and insecurity in Peru, points which are not the case in Panama.

Explaining his philosophy, Perez contended that he held a close relationship with the deceased military leader, who believed in the value of small businesses as an opportunity for workers to seek independence and the prospect of offering employment to those less privileged.

Perez stipulated that "what the 'Torrijist Alternative' believes is that we must fulfill Omar's dream and mitigate the unemployment problem plaguing this country."

On the Small Enterprises Incentives Law, he said that the U.S. invasion took place before it could be implemented and that everything fell apart, especially because of the key role played by the Small Enterprise Directorate General of the Ministry of Commerce and Industry.

The law, Perez said, included the securing of bank loans for small enterprises, technological assistance, and training, as well as other benefits set aside once the Endara administration was sworn in. Examining the president's economic promises regarding the reverted properties, he contended the government is only interested in meeting with the large corporations in order to encourage them to lease or sell that valuable property.

Nevertheless, he contended that the reverted property, valued at $40 billion, can guarantee the creation of ample employment, the training of Panamanian managers, the advancement of university specialists, and the promotion of more competition for Panamanian goods in the international markets through high quality products, among others.

On Panama's entry into GATT, which is now called the World Trade Organization (WTO), he said the "Torrijist Alternative" strongly rejects that initiative because Panama is unprepared, and that opening the market will only entail ruining thousands of businesses and the source of more unemployment for the country.

Article Views City of Knowledge Alternative

PA1604231695 Panama City LA PRENSA in Spanish 16 Apr 95 p A-26

[Article by Osvaldo Lau C.]

[FBIS Translated Text] In God's eyes, we all are equal and share equal rights, as is also declared in the Constitution, although it seems dead letter sometimes. [as published]

The U.S. military bases, the troops' departure in the near future, and the bases' negotiated stay will be a mandatory subject for a debate, because the future becomes the present with the speedy passage of time. Under this right of equality, everyone should listen and be listened to attentively without rejecting other people's opinions or insulting others by reason of differences of opinion.

The presence of foreign military bases in Panama has historically been the cause of conflict, although much economic benefit has been derived from them. All these points, however, are part of a past that should not be put before the future, a future which was negotiated by Torrijos and Carter in 1977.

The presence of the bases undoubtedly brings economic benefits to Panama, particularly considering this presence implies payment of rent after the year 2000. If there is no negotiation, however, the troops' departure is imminent in strict compliance with the treaties, the reason why we should be realistic and creative. "Instead of weeping over what is about to go, we should be glad for what is to come," as President Ernesto Perez Balladares has said. (LA PRENSA 1 April 1995).

More than five years ago, I had one of those dreams that those who like to look at things positively sometimes have. I spoke and wrote about an international university center that could operate at the military areas that are to revert to Panama. Perhaps for fear of not being listened to, the idea was discussed in private only, with the warmth of conviction and the sole purpose of contributing ideas. When a government official of the rank of Foreign Minister Gabriel Lewis Galindo finally announced the idea of a City of Knowledge, a light shone in the sky illuminating the path of deep thought.

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This City of Knowledge, which takes the place of the international university center in name only, is the alternative on which all of Panama should work to make it a reality, because it substitutes arms for intellect, the violence represented by militarism for the power of reason and knowledge.

The quick passage of time and the traditional governmental bureaucracy prompt us to speed things up and take timely measures to take advantage of the economic potential represented by the areas to revert, incorporating them into Panama's economic environment with more gladness than weeping. The area where Fort Clayton, Albrook, Corozal, and Curundu are located is an ideal site for constructing this City of Knowledge. At this site, renowned professors and scientists would work under the auspices of prestigious international universities represented by their Latin American extensions. This is a difficult but not impossible task, one which demands work with the homeland's interest in mind, as well as conviction and ideals, without politicizing the various necessary procedures.

The area described above possesses public services, such as potable water, electricity, telephone service, and paved streets. There are green areas and valuable structures, from buildings, houses, and sports centers to paved areas and fences. It does not take much imagination to proudly envision the Panama of the future as a center of culture, study, and scientific research (instead of a military center). The idea is not to demerit what we have already but, rather, to seek cultural improvement by using the heritage we are to receive, take care of, and expand.

In addition, in order to palliate the sad effect of the loss of money as the result of the troops' departure, we should mention that the money that would not go away (Panamanian students abroad) plus the money that would come because of the presence of foreign students here would be so considerable that we will be able to expand the present transportation, lodging, and entertainment services. The production of economic benefits could be classified into two groups:

1. The nationals would not have to travel abroad for new cultural horizons, taking with them large sums of money. Enrollment, books, and daily bus fares, lodging, and food are some of the expenses that account for the flight of large sums of money at present.

2. Foreigners would have to spend money for these same services. In addition to the direct cost of tuition, bus fares, lodging, and food, there is another source of income. Students are normally accompanied by close relatives at least twice during their studies; that is, when they arrive and when they graduate. These relatives are also a source of revenue. To all these points we can add the profit that commerce and tourism in general will receive from the presence of foreign professors and students. Water, electricity, and telephone public enterprises would also benefit. There will be new sources of jobs, which, although they will never quite eliminate unemployment, will help us attain the social peace we all desire.

The promotion of this center must be dynamic and urgent, with better technology and marketing methods than those used for the banking center, the Colon Free Zone, or the export processing zones. This promotion should be an intelligent and professional one, capable of selling the idea to take advantage of Panama's geographical position and to turn it into America's cultural heart.

When at present we discuss the competition between free trade markets, profits from financial markets, and beautiful tourism areas, it looks as if the cultural market does not belong to this time; therefore, it is up to us Panamanians to study this cultural market and to promote its benefits.

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Argentina

Menem Says Government Will Return Patents Bill To Congress

PY1704145895 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1623 GMT 15 Apr 95

[FBIS Translated Text] La Rioja, 15 Apr (NA)—President Carlos Menem today emphasized that the Patents Bill, recently approved in Congress, will be returned to Congress in keeping with a decision made by the executive branch. He announced that the government would draw up "a regulatory decree" on the conclusions of the Uruguay Round of GATT talks.

Menem explained: "We will start working on a regulatory decree on the conclusions of the Uruguay Round of GATT talks, which, according to the Constitution, take precedence over our entire legislation."

The president also ascribed the criticism leveled against the financial measures announced yesterday by Economy Minister Domingo Cavallo to "an absolutely partial or biased attitude."

Discussing the criticism of the measures announced by Cavallo, Menem pointed out: "It is only logical for there to be criticism. Those who are doing the criticizing are imbued with an absolutely partial or biased attitude, seeking their own advantage."

Menem added that the measures ordered by the government "are adjusted to Argentina's current situation." He emphasized that the financial crisis "already is being overcome."

In remarks made a few minutes before leaving La Rioja Province for Buenos Aires, the president said: "We are overcoming the crisis. I would say it has already been overcome."

Menem also indicated: "Minor readjustments are being implemented." He noted that savings account holders "have guarantees that they can withdraw their funds without any problems whatsoever."

The president also denied that he intends to meet Tierra del Fuego Governor Jose Estabillo over the next few days to discuss the violent clashes reported in that province.

Discussing the possibility of meeting with the Tierra del Fuego governor, whose resignation has been requested by all the Tierra del Fuego trade union organizations, Menem pointed out: "No audiences have been sought, and I do not have any information on this point."

Economy Minister Views Financial Support for Banks

PY1704231595 Buenos Aires CLARIN in Spanish 16 Apr 95 pp 2, 3

[Interview with Economy Minister Domingo Cavallo by Carlos Sacchetto and Carlos Sagristani on 15 April in Cordoba]

[FBIS Translated Text] [CLARIN] Would it not have been more equitable if the system of guarantees had also covered, as of 18 April, deposits reaching maturity after that day, even if the measure was adopted before that date?

[Cavallo] A guarantee insurance is designed to operate as of a specific moment, and it covers the decisions made as of that moment. Doing the opposite—as Chile did in 1982—would be irresponsible. Giving a retroactive guarantee, as was previously done in Argentina, prevents the calculation of risks and the search for funds that are necessary to cope with them. It can lead to uncontrolled printing of money.

[CLARIN] What is the procedure to prevent discretional use of the banks that are in trouble?

[Cavallo] This is clearly established by law. Furthermore, those laws can be enforced only under certain conditions, with the intervention of the Central Bank Superintendency. The Central Bank cannot arbitrarily suspend an institution. This can be done only if there is evidence of incipient insolvency or an irreversible lack of liquidity.

[CLARIN] Will other banks be suspended, in addition to the five that have already been suspended?

[Cavallo] We hope not. Had there been more institutions in that condition, the Central Bank would have already suspended them.

[CLARIN] But not only those five institutions have had trouble in returning savings accounts deposits.

[Cavallo] This is true, but we believe they will now be able to resolve their liquidity problems, which are not irreversible, with the help of trust funds—one for provincial development and another one for restructuring private banks—which will become operational as of 17 April.

[CLARIN] So, as of 18 April there should be no reason why banks that were not suspended should refuse to return savings deposits.

[Cavallo] Some institutions might continue to have problems for a few more days but they will rapidly resolve them when they receive the money they need from trust funds. The best thing for savings account owners is to keep those banks operating.

[CLARIN] Independent and opposition economists say, however, that banks that do not return deposits should have been closed. Are exemplary sanctions not needed to guarantee confidence in the system?

[Cavallo] I fully disagree with that. Confidence in the system—like confidence in the economy and in Argentine future—will be fully restored with the set of measures that we have implemented. Those who do not like cooperative banks, or smaller banks, or even some big banks, saw this crisis as the chance to eliminate them.

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But, like in the rest of the world, in Argentina there are very efficient cooperative and small banks. Proof of this is that many did not have to ask for a single cent to help their liquidity, unlike what happened to more than one big bank. If they need capitalization, they now have the appropriate mechanism.

[CLARIN] What do you think is the most appropriate alternative?

[Cavallo] One alternative is to join more an efficient bank. For example, cooperative banks can continue to form partnerships among themselves—as they have been doing—until they make a small number of banks, and then join foreign cooperative banks, which operate very well, like the Credit Agricole, which has already participated in an operation of this kind. This model serves for the banks of rural Jewish communities, which are planning to merge, and they might also find a Jewish bank interested in this process.

[CLARIN] Do trust funds have enough money to start operating on 17 April, as you announced?

[Cavallo] They already have 250 million [no currency specified as published], which corresponds to the first installment of the local section of the Argentina Bond. Furthermore, we can transfer funds to them, because the IMF has already made a disbursement ($420 million, which was pending from the expanded financial facility agreement disbursement, plus the $1.2 billion that was deposited on 12 April). If more money is needed later, the Argentine National Bank and other institutions might grant a standby loan. That is, trust funds will not lack money.

[CLARIN] Is it true that the Bank of Basle is delaying a $1 billion loan as a way to pressure for a modification in the patent law, at the request of the United States and the EU?

[Cavallo] I don't think there is any link between those two factors. I have no evidence. The standby loan is backed by funds the World Bank and the IDB will disburse in May or June. We will surely receive the standby loan on a previous date.

[CLARIN] What will happen to the international section of the Argentine Bond? There are rumors that there might be problems.

[Cavallo] Not at all. I am very optimistic. I believe we will get everything in a single installment. I hope the main broker, the City Bank of New York, will officially announce this on 17 April.

Finance Secretary Gutierrez on New Measures, Fiscal Targets

PY1704181495 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1702 GMT 16 Apr 95

[FBIS Translated Text] Buenos Aires, 16 Apr (NA)—Finance Secretary Ricardo Gutierrez today emphasized that compliance with the fiscal targets established by the government "does not permit any hesitation." He noted that a "cut in spending or financing through tax" would be required if the targeted revenues are insufficient.

Nevertheless, Gutierrez pointed out that there is "a lot to be done in the field of fiscal evasion" so as to achieve the fiscal targets established in accordance with the deadlines established by the IMF. He believes it will not be necessary to take additional measures.

The finance secretary emphasized: "Argentina's commitment is to meet the fiscal targets at all costs. This is not an assumption. It represents another test for Argentina to regain the international capital market's absolute confidence."

The finance secretary believes "there is a lot to be done in the field of tax evasion," therefore, the Economy Ministry officials will work in this field "to achieve the targeted goals."

The finance secretary emphasized that the targets established by the international credit organizations for Argentina "represent another test that must be passed." In his opinion, if it is necessary, "more cuts in spending will be implemented or tax solutions will be sought."

In remarks to Radio America, the finance secretary said: "We must be skilled enough to manage if revenues do not reach the targeted levels. If this is the case, we would have to implement more cuts in spending, enhance our struggle against tax evasion, or seek tax solutions."

Gutierrez emphasized that Argentina "not only is overcoming the financial crisis" that broke out in late 1994, but "will emerge strengthened" from this process.

The finance secretary noted: "The government had the strength of not devaluing the peso. The peso is worth the same as it was before the crisis. We must also add the increase in exports and the entry of Fiduciary Fund capital that solved the banking problems."

The finance secretary pointed out that the measures taken to deal with the crisis prove that the Argentine Government "knows how to manage its economy and has definitely joined the ranks of countries that are handling their economies with absolute seriousness."

Gutierrez also championed Public Revenues Secretary Carlos Tacchi's zeal. Tacchi is promoting a campaign against tax evasion. The finance secretary pointed out that those taxpayers who do not pay their taxes are "harming" the society.

Gutierrez indicated that Tacchi "has promoted a campaign to make the people aware of the importance of paying taxes and of the allocation of these taxes."

In this regard, the finance secretary pointed out that the entrepreneurs who are evading taxes "are not defrauding

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the government, as they did during the hyperinflationary periods," but are "harming those operating lawfully."

The finance secretary noted: "Society is beginning to realize that, if taxes are not paid, it is not possible to supply education and health services and pay retirees."

Austral Bank Operations 'Temporarily' Suspended

PY1804144595 Buenos Aires TELAM in Spanish 0254 GMT 18 Apr 95

[FBIS Translated Text] Buenos Aires, 17 Apr (TELAM)—Pursuant to a Central Bank (BCRA) [Central Bank of the Argentine Republic] resolution, Austral Bank operations were temporarily suspended tonight after the discovery of irregularities in Austral Bank foreign trade operations.

In a communique issued before midnight, the BCRA reports: "Austral Bank, Inc. operations were temporarily suspended today as established in Article 49 of the Central Bank charter."

BCRA sources told TELAM that this decision is unrelated to the five suspensions implemented by the Central Bank on 14 April, which were based on liquidity reasons.

The sources pointed out that in the case of the Austral Bank, Inc., the measure was taken after the discovery of irregularities in foreign trade operations within the framework of ALADI (Latin American Integration Association) agreements.

These multilateral agreements establish that export and import operations conducted by private companies are guaranteed by the central banks of the signatory countries.

The sources explained: "This means that, if a party, an exporter or an importer, fails to pay, the central bank of the country that does not receive the payment will cover it. The central bank of the country that does not receive the payment will file a claim with the central bank of the country where the debtor is established."

As the measure was reported by midnight, it was not possible to contact BCRA officials to ask them for more details on this case.

UCR Leaders Massaccesi, Angeloz Meet, Review Economy

PY1704163195 Buenos Aires NOTICIAS ARGENTINAS in Spanish 2214 GMT 16 Apr 95

[FBIS Translated Text] Cordoba, 16 Apr (NA)—UCR [Radical Civic Union] presidential candidate Horacio Massaccesi today unexpectedly changed his campaign schedule to meet with Cordoba Governor Eduardo Angeloz. Massaccesi and Angeloz reviewed the "serious economic emergency in our country, and its effects on the governability of the provincial states."

Party sources confirmed that Massaccesi and Angeloz agree that "withdrawals of deposits from banking institutions, the bankruptcy of regional economies, and the deficits of provincial treasuries are three elements, which, if combined, create an explosive situation."

The two governors hold the government "principally responsible" for the situation. They describe the measures announced by Economy Minister Domingo Cavallo on 13 April as "fragments or partial solutions that fail to resolve the main issue but merely seek to postpone the conflict."

They "completely" reject "the aggressiveness expressed by Cavallo against UCR governors and the UCR leadership."

Massaccesi noted: "Cavallo's sudden aggression can be explained only by the fact that he knows the situation is very difficult."

Massaccesi said: "When the government needs a quorum to approve one of its bills in Congress, Cavallo remains silent or sends one of his aides to negotiate."

Massaccesi added: "Now, with his nerves fraying because he is not receiving from abroad the funds he was expecting, Cavallo has become authoritarian and is attacking everyone."

The UCR presidential candidate noted: "One of the miracles of Cavallo's system is that the roles have been swapped: Savings account holders have become the bankers, with managers seeking money from them to save their financial institutions from going bankrupt."

At noon on 16 April, Massaccesi held a one-hour meeting with Governor Angeloz at the Pajas Blancas airport of Cordoba.

The UCR presidential candidate also spoke by telephone this week with half a dozen governors from various political parties. Massaccesi shared "their concern over the gloomy prospects for Argentina."

Editorial Examines Deposit Insurance System

PY1804013895 Buenos Aires LA NACION in Spanish 16 Apr 95 p 8

[Editorial: "Guarantee and Strength in the Banking System"]

[FBIS Translated Text] The new measures that Economy Minister Domingo Cavallo announced on 14 April, namely, the establishment of a new deposit insurance system and the temporary suspension of five finance institutions, constitute a step in the right direction to surmount in the immediate future the difficulties confronting banking establishments. However, the overall streamlining of the system will not ultimately depend on these measures, but rather on the efficacy of the process

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of mergers, absorption, and partnerships that the authorities have promised to encourage to achieve a suitable restructuring of the system.

We must not lose sight of the context in which the current financial crisis erupted. Generally speaking, the Argentine economy was able to withstand the reverberations of the tequila effect quite well, despite having been drained of its means of payment—one out of every six pesos—and of a considerable amount of Central Bank foreign reserves that provided backing for its domestic currency.

Despite this, things are taking time to return to normal. Financial resources have not flowed into the banks once again, there has been no sustainable recovery of foreign reserves, and credit continues to be conspicuous by its absence and outrageously expensive. Economic activity has, therefore, not recovered to the levels recorded prior to the crisis.

Even though the other factors that gave rise to suspicion have been overcome, the mistrust of the banking system continues unabated. The daily reports and information about banks that have not returned deposits, or are only doing so little by little; the statements—even by the president of the Republic, the Central Bank president, and representatives from business sectors—to the effect that there are banks that are hardly reliable, and "kiosks" operating on the domestic market; and the official acknowledgement that some banks should be liquidated, have not exactly contributed to making things calm again.

Most of the speculative capital that entered the country after 1991 has emigrated again, and will surely not come back for a long time. There are also a lot of people with savings who simply looked for security, and have preferred to seek refuge in Uruguay, for instance, or who are keeping their money hidden at home because they lack confidence in the system.

The matter is then to recover credibility. With this goal in mind, the administration has started to painstakingly implement a project to clean up the system, providing for a process of mergers and absorption of entities in order to substantially reduce the number of financial institutions. Meanwhile, as we pointed out above, the administration has instituted insurance—to enter into effect on 17 April—to guarantee savers the recovery of their deposits, within certain ceilings.

The cost of the guarantee will be paid for by the financial system, not the state, and each entity will contribute 0.03 percent or 0.06 percent of their deposits to a fund created specifically for this purpose. The organization responsible for administering this insurance should have the authority to prevent banks with problems from receiving deposits, in order to put a ceiling on the guarantee fund's responsibility. This is a key element. The Central Bank Superintendency was often overwhelmed by circumstances during the successive crises of the past 15 years. The institution usually acted on bank and financial entities after the fact.

An issue discussed at length was the date for implementing the guarantee. It was said that the fund would be totally depleted if the guarantee was implemented before cleaning up the system and the money was used to return savers' deposits in banks that could not survive, particularly because this would make the guarantee of deposits in surviving institutions more difficult. In fact, the contribution of 0.03 percent and 0.06 percent would be insufficient to face all needs, which the most optimistic calculations put at 10 percent of total deposits, that is, nearly 4 billion pesos.

On the other hand, the liquidation of a significant number of banks under the current conditions, and before the implementation of the guarantee, would mean irreplaceable losses for thousands of savers. Savers' protection must not be understood as a device to help some banks or some market circles, but as a way to favor savers and protect the entire financial system.

The mere existence of a financial system that has recovered balance and public trust, and which is made up of a few efficiently supervised entities with reinforced solvency, should be enough to encourage the return of deposits. This would again make local banks the recipients of domestic savings.

As happens with all guarantees, this one will be truly effective if it is not needed. In this case we should ponder the cost of the mechanism, which is applied to a banking system that is already expensive, not very efficient, and is a heavy burden on other economic activities. It is estimated that some 2 billion pesos will be withdrawn from the business market with the sole purpose of supporting a financial system that would not have required such support if it were made up of solvent entities. Besides, the fund will probably not be large enough if entities are not solvent and are faced with critical withdrawals of deposits such as the ones we have seen over the past months.

It is, therefore, urgent that the cleaning up of the system through mergers, absorptions, and associations be accelerated. This is the correct approach. We should also use the Fiduciary Capitalization Fund—probably the least painful method—to reduce the number of financial institutions to a limited number of solvent, efficient, and trusted entities operating under attentive and shrewd government control. The accumulation of savings is vital for the development of productive activities, and banks must continue to play an essential role in attracting, administering, and distributing those savings.

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Bolivia

Drug Enforcement Framework Accord Signed With Russia

PY1704165695 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 17 Apr 95

[FBIS Translated Text] According to an ERBOL report datelined La Paz, Bolivia and Russia have signed a framework agreement to design a project involving cooperation Russia is willing to extend in the drug enforcement field.

The agreement was signed in Moscow by Russian Deputy Foreign Minister Mamedov and Bolivian Deputy Foreign Minister Eduardo Trigo.

Five Tarija Civic Leaders Arrested

PY1704222095 Madrid EFE in Spanish 1746 GMT 17 Apr 95

[FBIS Translated Text] Tarija, Bolivia, 17 Apr (EFE)—The Bolivian Government was compelled today to use force to contain a secessionist movement in the Tarija Department whose main leaders have now been detained.

Local officials confirm that in the last few hours the Bolivian police detained five leaders of the movement and ordered the capture of others who are accused of "sedition."

The Tarija Prefecture (regional government) said in a communique that the arrests were ordered by a prosecutor and that those detained are testifying before the Judicial Technical Police (PTJ).

Tarija Department, which borders Paraguay and Argentina, was militarized on 11 April after a town meeting decided to create its own government because the central administration was not satisfying departmental needs.

A town meeting under the slogan, "Tarija, More Bolivian Than Ever," decided unilaterally on 12 April to decentralize itself from the Bolivian state and create a Temporary Departmental Council or provisional independent government.

Local Bishop Abel Costas Montano installed the members of the temporary council which was later declared unconstitutional by the La Paz government.

While the town meeting was being held, the city of Tarija—the departmental capital—was placed by the central government under the control of the Armed Forces. This decision did not, however, prevent the meeting of about 15,000 people in the downtown plaza from continuing.

On 16 April, President Gonzalo Sanchez de Lozada delivered a message to the nation asserting that it is untrue that the government is not satisfying the needs of Tarija. Sanchez said Tarija Department is the second department in terms of public investments after Pando Department, which is on the borders of Peru and Brazil.

One of the instigators of the secessionist movement is Tarija Mayor Oscar Zamora, aka "Motete," a former Maoist leader and former labor minister (1989-1993) under the administration of his nephew Jaime Paz Zamora.

Since 1920 all Bolivian governments have tried unsuccessfully to administratively decentralize the state.

The interests of each region, except for municipalities, are managed from the central government in La Paz.

This is why the so-called civic committees, which are powerful professional, union, cultural, and economic organizations, have proliferated in each department. Their activities are absolutely independent from the central government.

One of the main sponsors of the creation of an independent government in that department is the Tarija Civic Committee.

Bolivia, which has 1,098,581 square kilometers and about 6 million people, is divided in nine departments: Santa Cruz, La Paz, Oruro, Cochabamba, Chuquisaca, Potosi, Pando, Tarija, and Beni. Their geographic, economic, and social characteristics differ radically.

Of the nine departments, only three—La Paz, Cochabamba, and Oruro—are connected by paved highways.

Bolivia is not connected by paved roads with any of the five bordering countries (Paraguay, Argentina, Peru, Brazil, and Chile).

Brazil

Cardoso Asks Congress To Accept Responsibility

PY1704212395 Rio de Janeiro O GLOBO in Portuguese 13 Apr 95 p 3

[FBIS Translated Text] Brasilia—President Fernando Henrique Cardoso on 12 April asked Congress to exercise its power and accept its responsibility for the transformations that the country needs. The president's speech, which was the strongest message in his 112 days of government, was applauded by more than 200 entrepreneurs, politicians, and ambassadors at the opening session of a seminar on Brazilian Public Concessions and Services at Planalto Palace.

The president reiterated his commitment to the privatization process, adding that he is tired of being the only one to be eroded in the process of defending the constitutional reforms. He said:

"Lord, if power is not exercised, it is not power. Congress should exercise power. I am asking Congress to assume its historic responsibility of helping Brazil take a giant step forward. I believe Congress is aware that it

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cannot disappoint millions of Brazilian who are as confident as I in it. I was a congressman."

The president said the country will enter an internationalization stage of economic relations through competition, privatization, and technological development, while foreign capital will be attracted to join this process of growth. Cardoso said the government cannot create taxes to be used for investments; the natural solution is to open public service concessions.

Several times in his speech, which lasted 38 minutes, Cardoso said Congress has no predisposition to approve measures submitted by the executive branch.

He complained: "Just see how hard it is to obtain approval for a small social security system tax to be paid by those who can pay, in order to finance the minimum salary increase. They want a higher minimum salary but they do not want the tax."

The president said he deplored the graffiti against the reforms, and compared this campaign with the Inquisition, when people were burned for defending ideas that the Church did not like. The president said there is not much time for the necessary changes.

"Whether we like it or not—and I do not know if it is a wheel—but history can overtake one."

There was a blackout while he was speaking, during which the president was surrounded by security guards. Cardoso made everyone laugh later by using the expression "untouchable" (imexivel), which was coined by Antonio Rogerio Magri—the labor minister during Fernando Collor's administration—to refer to monopolies:

"In my inauguration speech I said I would touch some hornet's nests... Well, we have touched a few monopolies, which seemed "untouchable." We did responsibly."

Planning Minister Serra Interviewed

PY1704181895 Sao Paulo ISTOE in Portuguese 12 Apr 95 pp 5-7

["Exclusive" interview with Planning Minister Jose Serra by Luciano Suassuna and Eumano Silva in his office in Brasilia on 2 April]

[FBIS Translated Text] [ISTOE] Mr. Minister, why do you have a pineapple on your desk? [To peel a pineapple in Brazil means having to solve a very hard problem]

[Serra] Because it is an adviser's present. I like pineapples. As a youth, I helped my father, who worked in the municipal market in Sao Paulo. I sold a lot of pineapples.

[ISTOE] Did you also peel them?

[Serra] Yes. To this day I know how to peel a pineapple without pricking my hands.

[ISTOE] How do you answer the critics who identify you as a representative of the Sao Paulo businessmen, especially the car factories?

[Serra] Whoever says that is not a critic but a fool. I will not answer fools. I have better things to do.

[ISTOE] Does the real depend on the constitutional reform?

[Serra] The constitutional reform will help to consolidate the real [R] in the medium and long term. It is not an essential requisite to maintain the stability of the currency. On the other hand, I am sure that the most essential aspects of the amendments will be approved, like changes to the chapter on Economic Order.

[ISTOE] With the surprise doubling of the import tariffs of several products, hasn't the government retreated in the economic opening?

[Serra] Not at all. First, regarding the specific case of cars, the economic opening started in the past was exaggerated, poorly handled, and hasty. Second, the import tariff increase is limited to a small amount of goods. Third, it is a temporary measure. It has to do with the trade balance problem this year. It does not mean the import tariff increase will last more than a year.

[ISTOE] Why has the government been trying so hard to reduce the economic growth rate?

[Serra] No one is interested in seeing economic growth decrease. If the economy grows this year by the same 5.7 percent as last year, it will be very good. I am not saying that this is the goal. What I am worried about is the possibility of an exaggerated growth. The important thing is to ensure that the economy continues to grow at a normal speed, which is between 80 and 100 km/hour, and not at a 180 km/hour speed which, we must agree, is a dangerous speed. It creates inflation and all that. If industry manages to maintain the December 1994 level of growth, it will grow 12 percent this year. Then, the economy was warmed up.

[ISTOE] For a country that rolls over its domestic debts in the extreme short term, don't high interest rates compromise the public accounts balance?

[Serra] The Brazilian public debt must total nearly R65 billion. In the budget, we allocated from R7 billion to R8 billion per year for payment of debts. The calculations are often exaggerated because they do not take into account the interest yielded by the national reserves deposited in the Central Bank, do not register debt rotation twice a year, and do not register the rolling over of debts, not even in the case of interest. One way or another, I believe R8 billion is a substantial expense, and this is not good for the country.

[ISTOE] Wouldn't low interest rates help in attracting private investment?

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[Serra] Undoubtedly. High interest rates are a bad thing. They are the consequence of two problems: external disturbances, and the necessity of consolidating the government victory over the public deficit. We have been maintaining fiscal balance, but the price of not having a more solid public accounts situation is, precisely, high interest rates. Therefore, it is always contradictory when, in the political sphere, someone talks against fiscal balance while asking for low interest rates. These two things are as contradictory as wanting to lock a drawer and then put the key inside it. High interest rates must be faced as a temporary phenomenon. The government will continue to promote a gradual, calibrated reduction of interest rates to suit

[ISTOE] What is the forecast for the inflation rate this year?

[Serra] The expectation is that it will continue being very low. In principle I never give figures. The inflation rate should increase somewhat in May because of some seasonal problems like school admission fees; the beginning of winter, during which people buy clothes; and things of the sort. However, we do not expect a serious upsurge of inflation. Inflation comes and goes. The important thing is that it not go out of control. The variations of the inflation rate are a world phenomenon. It happens even in the stabilization programs that have proven effective, such as those in Israel, Argentina, and Bolivia.

[ISTOE] What is the objective of the changes made to the 1995 budget?

[Serra] Our budget for goods and services amounts to 112 million reals [R]. The budget for capital costs is R33 billion. In the past few years, only a third of the budget was executed. The country ended up becoming a virtual cemetery of unfinished and unburied construction projects.

[ISTOE] Will the budget cuts made this year affect the social field?

[Serra] Nothing important in the social field will be cut. We are cutting non-priority items. We are not touching anything important in the social field, like health, an area in which the average transference of funds this quarter was greater than last year.

[ISTOE] Will the Social Emergency Fund (FSE) be extended?

[Serra] The FSE will be necessary because the tax reform that will be carried out this year needs complementary and regular laws, provisions, and regulations that cannot be applicable in 1996.

[ISTOE] Will the IPMF [Provisional Tax on Financial Operations] be implemented again?

[Serra] No.

[ISTOE] Not even with the tax reform?

[Serra] No. The tax reform does not envisage any tax on checks.

[ISTOE] Who will be harmed with the tax reform?

[Serra] The government's mission is to present a proposal that will benefit the country—not only the federal government, but the states and municipalities, and, above all else, the people. The proposal to be sent to Congress will be practically neutral regarding the distribution of income among the three government levels.

[ISTOE] Then what is the purpose of the tax reform?

[Serra] To make the system less onerous, to lower taxes on foreign trade, to improve the tax collection apparatus, and to reduce the amount of taxes. Then there will be a fiscal reform that pertains to income and expenses. We will suggest reforms to the budget to make the administration more efficient and streamlined. We intend to eliminate expenses that are sometimes created without control. A typical case is the excessive creation of new municipalities. More than 1,000 municipalities have been created since 1988. Many are unjustified. They imply 1,000 more mayors, and many more council members, city halls, and legislative assemblies, which represents expenses and no new income.

[ISTOE] Will there be changes to the TR [Reference Interest Rate] this year?

[Serra] I do not want to assert anything on that subject.

[ISTOE] The farmers frequently protest against the TR. Can something be done to calm the ruralist bloc?

[Serra] Their protests against the TR are well-founded. However, it is not easy to solve this because the loans were granted based on attraction of savings paid with TR. If I attract savings paying the TR plus an additional interest rate and then lend money at a lower rate, someone will lose and somebody will have to pay for it; otherwise, the savers will lose. In order to pay, we need money from the budget, which is insufficient. If we print more money, we would fuel inflation. That is the problem. In the future, we will have to change the interest rate paid to savers.

[ISTOE] Is Congress a good partner of the executive branch, or does it give it a lot of work?

[Serra] Congress is neither a good nor bad partner. It is a branch of government. The executive branch has a relationship with it that does not involve subordination on either side. Working with Congress is a permanent challenge, especially for someone who knows it well, like me. I worked in Congress for the past eight years, and am still a member.

[ISTOE] Isn't the government partly responsible for the many retirement petitions, given that the social security reform was poorly announced?

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[Serra] No. Retirements from the INSS [National Social Security Institute] did not increase in the past few months. There was no rush to retire. As for public employees, I see no remedy to this. There is always a cost for transition. Many workers retire early unnecessarily due to a lack of information. Sometimes I see people, even in my family, alarmed about this or that, which is totally unfounded.

[ISTOE] Up to what point are the political reforms necessary for the country?

[Serra] The political reform in Brazil is a central issue. The political system should be more stable, efficient, and representative. We must reform the electoral, party, party loyalty, and representative systems, as well as the legislative process. During the constitutional revision process, I was perhaps the congressman who presented the greatest number of integrated groups of proposals in this field.

[ISTOE] Would party loyalty reduce opportunism in Congress?

[Serra] The most important aspect of party loyalty is the change of party. According to the current law, we have parties that function practically like a bus—people get on and get off according to the street and the electoral situation. Perhaps in no other country in the world is individualism as exacerbated as in the Brazilian political system. Change of party must imply the loss of mandate.

[ISTOE] Communications Minister Sergio Motta says that the telecommunications sector must be prepared to be competitive before it is privatized. Will the privatizations also be delayed in other fields?

[Serra] The government is not delaying any privatization. We are in a new stage. It was easy with the steel and petrochemical companies, which represent 90 percent of what was privatized. They were companies that produced goods. In almost all countries of the world, these companies are private. Now we are in a more complex stage, involving electricity; railway transportation; and even, in some cases, the financial sector. These are more complex areas from the point of view of evaluating the companies, and given the legal matters involved. We are in this transition, but the idea is to continue firmly with the privatization process. We will privatize the Light [Power Services, Inc.] company, the Meridional Bank, Escelsa [Espirito Santo Power Plants, Inc.], and 16 petrochemical companies.

[ISTOE] Do you also observe failures in the government communications apparatus?

[Serra] I would not call them failures, because it is impossible to foresee what will happen. It is easy to be the engineer of a bridge that has already been built. I have an adviser who says that the government must create facts to prevent the media from creating their own. That would be extraordinary—a ministry to create facts. Would creating facts in order that they not be created constitute another government task? That is arguable.

[ISTOE] For example Minister Sergio Motta says that you only speak of cuts and never about investments.

[Serra] He denied that to me even before I read it in the newspaper. He denied it without my ever asking anything about it.

[ISTOE] After 100 days in the administration, and the Mexican and exchange crises, what has changed in terms of the scenario of the real?

[Serra] The Real Plan continues; only a few changes were made with regard to the external parameters of our economy. The international economy is suffering shocks, and we are adopting measures in the external field to preserve it from that storm.

[ISTOE] But in February the government lost nearly $700 million with regard to the trade balance because Industry and Commerce Minister Dorothea Werneck took a week to transform the announcement on car import tariff increases into a decree.

[Serra] I do not think $700 million was lost, but it would really have been better had the decree been issued sooner. The responsibility for this was collective, not only involving Minister Werneck.

[ISTOE] What picture, in terms of the domestic situation, will President Fernando Henrique Cardoso present to the United States next week?

[Serra] He will present the picture of a Brazil with consolidated stability and an economic plan that did not resort to price freezing, contrary to our former economic plans. The country is growing and has enormous investment possibilities. The Brazilian market is enormous. The economy is faring well; our exports are diversified. The picture is so positive that despite external problems, the investment rate in Brazil increased by 2 percent of the GDP in the past 12 months. The figure was 15 percent during the first quarter of 1994, and it jumped to 17 percent during the same period this year. We want it to increase to 20 percent. Price stability is again attracting private investments.

Government To Pay $1.5 Billion to Creditor Banks

PY1704212895 Sao Paulo AGENCIA ESTADO in Portuguese 1402 GMT 17 Apr 95

[Report by Carlos Franco]

[FBIS Translated Text] Brasilia, 17 Apr (AE)—Brazil will pay nearly $1.5 billion of its foreign debt to private creditor banks on 18 April. Of this, $280 million will cover U.S. Treasury Bond guarantees, and the remainder will cover the principal and interest on the debt. Late in March, Brazil paid $17.9 million in interest to Great Britain, Austria, and Canada within the framework of an

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agreement with the Paris Club. Early in April, $420 million was paid to Paris Club creditors; of this nearly $110 million was interest and the remainder to pay off the principal.

The next payment will be made on the day President Fernando Henrique Cardoso is scheduled to start his official agenda in Washington, where he will show that Brazil honors its commitments. This payment will reinforce Itamaraty's desire for Cardoso to be seen as an emerging South American leader. This is feasible because, unlike other countries with strong economies in the region—for example Mexico and Argentina—Brazil is not asking for a financial bailout from the United States, but it is honoring its commitments with the foreign creditors that are mainly based in the United States. The payment will be Cardoso's letter of introduction to his scheduled meeting with President Bill Clinton on 20 April.

Private Investors Sought for Energy Sector

95SM0275E Sao Paulo GAZETA MERCANTIL in Portuguese 28 Mar 95 p 15

[Article by Angus Foster of the FINANCIAL TIMES, with boxed item by Sao Paulo correspondent Fernando Lopes]

[FBIS Translated Text] While some areas of Brazil are experiencing power failures and the country as a whole faces a possible electricity shortage, construction on more than 50 planned electric power plants is being obstructed. Delays caused by the government's financial problems reflect the exhaustion of the statist development model in Brazil and symbolize the need for changes.

A law passed last month will enable the private sector to compete with state enterprises in some electricity generating projects. Analysis think this is the first step in the direction of a slow, but far-reaching privatization of the electrical sector in Brazil, one of the largest in the developing world.

Raimundo Brito, minister of mines and energy in the new government of President Fernando Henrique Cardoso, says that "the political desire for a change in the state's role in the economy exists. I do not see why the government, which has no money, should invest in the infrastructure of the economy."

The statist model prescribed that the government should own most of the electric power industry through its holding company, Eletrobras [Brazilian Electric Power Company, Inc.] which, in turn, controls most of the generating plants. Eletrobras also holds ownership interests in the generators and distributors that are controlled by the state governments.

This model functioned satisfactorily until the early 1980's and provided subsidized electric power to the poorest regions. But the magnitude of the financial problems forced the government to reduce its investments. After a decade of cuts, planned investment for 1993 resembled 1973 levels, although electricity consumption had quadrupled during the interim. The results were seen in deactivated power plants awaiting eventual retooling, and declining standards of quality.

The new legislation aims to revive the sector by attracting private investment. Plants on which construction has not yet started or for which the firms responsible have no funds to continue the work will be leased. Private companies, which can almost always obtain better financing, are likely to win out over state enterprises in competitive bidding on many projects.

State enterprises that do not meet the government's administrative and financial standards may even lose their concessions. And, if separate legislation is passed, the private sector could be authorized, for the first time, to generate electricity for sale as well as for their own use.

The private sector reacted favorably to the new law. Major energy users, such as the metal-working industry, are expressing interest in generating power. Several corporate development groups are also thinking about forming consortia to compete for the projects. David Zylbersztajn, energy secretary of Sao Paulo State, said he is being contacted "almost daily" by potential investors, including foreigners from the United States, the United Kingdom, France, and Australia.

Potential investors still express caution and warn that leasing will not begin for several months and that the government's long-term plans for the sector are still being examined. According to estimates, the system's present 52.7 thousand megawatt (MW) capacity needs to be increased to 79 thousand MW by the year 2003, which assumes an annual 4.7 percent growth in demand and annual investments of R6.1 billion between now and 1998.

But demand is growing faster than predicted and investments are much lower.

Brito called attention to the fact that change in the sector will take time and is "a process" of rules and regulations that will be developed by the present administration but will take time to complete. Another sign of government caution is that, so far, it has confirmed the privatization of only Escelsa [Espirito Santo Power Plants, Inc.], a small power distribution company to be auctioned off in May, and Light [Power Services, Inc.], the distributor in Rio de Janeiro.

The source of the administration's caution is the concern that a widespread privatization is impossible given the present legal structure of the sector. Owing to legal and constitutional restrictions, Eletrobras cannot sell off certain assets, such as the nuclear power plants and its 50 percent interest in Itaipu, the world's biggest hydroelectric plant.

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The administration has a pilot plan to separate the operating arms of Eletrobras in order to prepare for eventual sale of shares in its four main generating and transmission companies. But those changes could take years to arrange. At the same time, Brazil lacks an adequate regulatory structure for monitoring recently-privatized companies. The National Water and Electric Power Department (DNAEE) has some regulatory and rate-setting powers but no funds to prevent private companies from becoming abusive monopolies.

"You can have free markets only if you have someone who can ensure free competition," Zylbersztajn said.

Brake on Privatization

The other brake on privatization is the unfortunate financial straits in which some of the most obvious candidates find themselves. The federal government and state governors will probably try to postpone sales in hopes of getting better prices. Some observers argue, however, that the need for the central and state governments to raise money to pay off their debts could force them to sell off companies more quickly than they might wish.

SFo Paulo State controls two of the most attractive candidates for privatization: CESP [Sao Paulo Power Company, Inc.] and Eletropaulo [Sao Paulo Power, Inc.], the latter being the biggest distributor in Brazil. Eletropaulo supplies electricity to 5.5 million homes, which puts it among the world's top 10 electricity distribution.

However, after almost a decade of political interference and poor management, both companies are in financial straits. Eletropaulo buys electricity at a price equivalent to R31 per megawatt-hour (MWh) and charges the customer R60.00. However, thanks to inefficiency, corruption, and high financial costs, the company has lost money every year since 1990 and lost R357.9 million in the first nine months of 1994.

"At this stage, privatization is a bad deal, since those firms are seriously undervalued. We are not against privatization, but simply not in favor of doing it at any cost," said Zylbersztajn.

[Box p 15]

Restructuring in Sao Paulo

The corporate restructuring program for Sao Paulo's electric utility companies developed by the state government calls for creation of as many as six subsidiaries in the field of electricity generation, about 20 units through which to decentralize electricty distribution, and the formation of a "pool" to take charge of transmission operations.

The purpose of the reorganization is to make the sector more efficient and competitive, thus enhancing the value of the public funds the state has invested in those companies. The decentralization will affect Sao Paulo's three electricity companies: CESP, CPFL [Sao Paulo Power and Light Company] and Eletropaulo—the market value of whose shares is only 25 to 30 percent of their book value.

"The state has no choice except to intervene in their assets," said State Energy Secretary David Zylbersztajn. The three firms have a total debt of approximately R12 billion, for assets of about R20 billion. According to the secretary, the government will build safeguards into the plan to set up the subsidiary companies in which private enterprise will have an interest.

The restructuring calls for sale of stock in both the present companies and the units to be created. No date has been set for the start of this process, since it requires authorization from the *paulista* legislature. The starting date for the sales also depends, according to Zylbersztajn, on a decision as to the role to be played by the National Water and Electric Power Department (DNAEE) in the state energy sector following the changes.

The Sao Paulo secretary will negotiate with the DNAEE on the transfer to the state of the authority to regulate and oversee the sector and to set electric power rates, which will be differentiated. "But rates will not be completely free," Zylbersztajn cautioned. He said the government will try to get involved as little as possible in the electricity sector, passing the responsibility to the market itself.

There will be four to six subsidiary companies in the generation business. The limit was set considering that Sao Paulo has four hydrographic basins—Tiete, Parana, Paranapanema, and Paraiba. The state will not insist on having share control over either those firms or the distribution subsidiaries. But, it could, if necessary, could opt for the model used to open up the natural gas distribution industry in the interior of Sao Paulo State.

That model calls for the state to hold 17 percent of the total capital, equivalent to 51 percent of the common stock of the company. That figure is enough to guarantee that the government continues to receive the dividends earmarked for social programs, such as rural electrification. But Zylbersztajn emphasized that "it is not a magic number."

Exports Feel Impact of Mexican Crisis

95SM0275D Sao Paulo GAZETA MERCANTIL in Portuguese 27 Mar 95 p 3

[Article by Rio correspondent Livia Ferrari]

[FBIS Translated Text] Mexico's liquidity crisis is already having repercussions for Brazil's foreign trade. Brazil's exports to the Mexican market fell by 30 percent in the first two months of this year, when they totalled $98.8 million, compared with $141 million in the same period of the previous year. The decline in February alone was 40.2 percent, with sales at $45.8 million.

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The results of the first two months of this year contrast with the performance during 1994, when exports of Brazilian goods to Mexico were in robust expansion, reflecting new business opportunities generated by Mexico's entry into the NAFTA. Last year, Brazil's exports to the Mexicans totalled $1 billion, 6 percent above the preceding year. This helped Mexico, in 1994, consolidate its position as our second major market in Latin America. In the first two months of 1995, however, Mexico, ranked sixth among our chief partners and stands out as the only ALADI [Latin American Integration Association] country to which Brazil's sales declined.

Still, this setback did not hurt Brazil's exports to the ALADI bloc, which totalled $1.38 billion in January/February—$800 million of which went to Mercosur—thus ensuring a 9 percent growth compared with the same period of 1994.

Jorge Rincom, a Mexican business consultant specializing in ferreting out business opportunities between Brazil and Mexico, noted that Brazilian companies are cancelling orders for the Mexican market. This behavior is being felt particularly in the automotive segment—mainly auto parts, buses and trucks—which last year headed the list of Brazil's sales to that market. In 1994, Brazil exported $303 million in vehicles and parts to Mexico, of which $130 million were buses and $105 were auto parts. But in January/February 1994, those high-value-added products did not appear on the list of the main items shipped to Mexico. Statistics provided by the Foreign Trade Secretariat (Secex) confirm the changes in the profile of Brazil's exports to Mexico, with steel products taking over the lead.

"The maxi-devaluation of the Mexican currency has made imports more expensive in that country," observed economist Hugo Barros de Castro Faria, of the Institute of Economic and Management Sciences (ICEB) at Santa Ursula University. From the standpoint of the Brazilian exporter, "the Mexico risk, which increased after the crisis, has encouraged the cancellation of shipments," he added.

Foreign Trade specialists at the National Confederation of Industry (CNI) also anticipate that the maxi-devaluation of the new peso will impact the flow of Brazil-Mexico trade. And they think that as Mexico finds imports more expensive, a trend accentuated by the devaluation of the *real*, some Brazilian products may be displaced from that market.

Decision To Raise Import Tariffs Examined

95SM0279B Sao Paulo O ESTADO DE SAO PAULO in Portuguese 31 Mar 95 p A3

[Editorial: "Daring Decision"]

[FBIS Translated Text] For Brazil, the Mexican crisis contained a timely lesson: it showed the executive branch that no deficit of any kind in the balance of payments on current account can be accepted. Preventing one would require keeping an estimated surplus of $5 billion in the trade balance. But the trade balance started showing a deficit in November 1994, and by February that deficit was up to $2.7 billion, with a further $400 million expected in March. This means that beginning in April, we will have to achieve a monthly surplus of $1.3 billion. The government had adopted a number of measures to stimulate exports, and now it needed to adopt others to restrict imports. The question is whether it took the most appropriate step by raising the customs tariff on 100 products to as much as 70 percent, one of the highest rates in the world.

To show its firm intention to curb imports, Planalto Palace could not be content with half measures. It was faced with three choices: raise tariffs, establish import quotas, or rely on a policy of controlling demand. But a hefty increase in interest rates and a sharp twist of the wage tourniquet would be unable to achieve the desired goals. The fact is that an excessive rise in interest rates does reduce consumption, but it also increases the public deficit. And restraining wages is politically difficult and socially disastrous.

Establishing import quotas would have been the easiest solution from the standpoint of international rules. To do so, it would have been necessary to establish very low quotas if the measure were to have an effect on the trade balance. It should be recalled that purchases of foreign automobiles totaled $655 million in February, or 71.9 percent more than in January. It is true that the increase was due to purchases in advance by importers, who were expecting on the one hand that the exchange rate would rise and, on the other, that the government would start fiddling with the tariffs. Imports of durable consumer goods in 1993 were already up 72 percent over the year before, and in the case of passenger vehicles and motorcycles, the increase was 92 percent.

The government opted for an increase in tariffs, and it was a drastic one (in the case of automobiles, it jumped from 32 to 70 percent). There is no doubt that with an increase like that, the demand for durable consumer goods is going to drop. The decision that was made presents the government with two problems: the need for a delicate renegotiation with the World Trade Organization [WTO] and the inflationary effects of such a measure. By signing the Uruguay Round accords, Brazil pledged to keep its tariffs at a maximum level of 35 percent. The result is that it will have to request a waiver from the WTO. It will also have to negotiate with each member of that world organization. In such a negotiation, it is expected that the country raising its tariffs will compensate its trade partners by agreeing to reduce its tariffs on other items on the tariff list. It should be pointed out that the 100 products being hit with the tariff increase currently account for about 20 percent of our total purchases abroad. We can therefore expect a difficult negotiation which, if unsuccessful, may lead some countries to take steps to hinder imports of Brazilian

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products, a move that may affect our exports, thus neutralizing the measure's effects on the trade balance.

It is true that some of our imported vehicles come from the Mercosur [Common Market of the South] countries, basically Argentina. But imports from Mercosur are not affected by the new tariff. Naturally, that is of some advantage to assembly plants located in Argentina, since they will be able to continue exporting to Brazil, thus replacing imports from third countries. We are thereby doing our neighboring country a big favor, and at the same time, some investments that ought to be made in Brazil may be diverted to Argentina. It is true that the measure is temporary, being valid for only one year. But experience shows that anything in Brazil that is temporary becomes permanent. In fact, there is nothing to justify saying that the situation in the trade balance will change for the better in 1996, and if it does not, that will justify an extension of the new tariffs. In the recent past, Brazil made the big mistake of reducing tariffs too much without obtaining anything in return from its trade partners. The negative aspect of the measures adopted the day before yesterday is the discovery by foreign investors that Brazil is in the habit of changing the rules of the game abruptly, a habit that contributes to the lack of confidence in our policy.

Some industrial sectors in Brazil have been greatly favored by this measure. They are sectors which enjoy almost a monopoly or which once constituted cartels. The danger is that banning imports will be reflected in higher prices for the domestic product. That probability should have been taken into account.

PT Seen To Commit Series of Political Errors

95SM0275C Rio de Janeiro JORNAL DO BRASIL in Portuguese 26 Mar 95 p 2

[Commentary by Marcelo Pontes - from Castello's Column]

[FBIS Translated Text] One can be understanding toward the PT [Workers Party]. After all, it represents the biggest novelty in Brazilian politics since 1965, and only two events since then threatened to usurp its title in the realm of political parties. I refer to the emergence of the PSDB [Brazilian Social Democracy Party] with its intellectuals caste and sudden ascent to power, and to the heralded but not yet consolidated metamorphosis of the PFL [Liberal Front Party].

But we should not be too generous, as journalists in general tend to be, with a party like the PT which, in one week, committed three incredibly stupid acts: the repudiation of Sergipe Senator Jose Eduardo Dutra, the philanthropy of Governor Cristovam Buarque, and the desperate attempt to construct an opposition bloc.

The week was politically disastrous for the PT. It was unable to take advantage of the administration's uncoordinated approach in Congress or the symptoms of disunity among Cabinet ministers. Instead, it got wound up in its own desperate search for a banner to march under and grasped at the first rag thrown in its direction.

Rather than being ignorant or an intellectual lightweight as portrayed by the president of the Central Bank, Senator Jose Eduardo de Dutra must have some good qualities, since he managed to get elected senator on the slate of a serious party in a state that is dominated by oligarchies. Anyone unwilling to adopt the characterization used by Persio Arida will find only two ways to interpret the senator's disastrous performance in last week's episode, when he offered a confidential Central Bank document as alleged proof that some financial institutions benefited from information leaked during the exchange rate adjustment crisis: either he was inexperienced, or he was naive.

He showed inexperience by not knowing how to handle invaluable information obtained from Central Bank computers. What he found there could equally well have led to discovery of some impropriety, or to nothing at all. The senator preferred to make a fuss, and fell on his face. And he was naive in allowing himself to be led by a community that is gaining daily in power in Congress—the legislators' advisors.

It is very common to hear deputies and senators complain about what many of them term "the dictatorship of the staff." They complain especially bitterly that their advisors listen in on their confidential conversations and try to slant their bosses' political opinions when assigned to research information for some bill or speech. Instead of just submitting facts and figures, they come up with a finished text on the line that the legislator ought to take. At that point, a veteran solon will call his aide on the carpet and tell him that he, the legislator, is the only one entitled to hold political opinions.

Senator Jose Eduardo Dutra fell into that trap, and the PT, which not too long ago was about to ascend the Planalto ramp and take power, was unable to guide him—for one reason: the party is searching for a banner, no matter what the cost. If it turned out right, it would bring down the president of the Central Bank, break the back of the Fernando Henrique administration, and beatify the Sergipe senator.

The same rationale was used to try to bring together, on the same sound truck alongside Luis Inacio Lula da Silva, big names from the opposition such as Leonel Brizola, Miguel Arraes, and Roberto Freire—to name just a few. The idea was to boycott constitutional reform. Had it worked, the administration would be prostrate on the floor. And Lula would be back on the altar.

The problem was that the PT went against its very nature. It became a party and consolidated itself as such precisely because it no longer believed in the politics of "fronts." If it now goes back to its roots, it will get lost on the road back home. Furthermore, it hasn't realized that some of the celebrities of the opposition would not be willing to stand on the same platform, out of fear that

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Lula would end up fashioning an eventual victory all by himself. Others, like Roberto Freire, simply have a different idea of the road that should be taken. Yes, they want to reform this country, but in a slightly different manner than the president wants. Roberto long ago abandoned the ship that Fernando Henrique has been calling the "vanguard of backwardness."

As if all these blunders weren't enough, the PT governor of the Federal District, Cristovam Buarque, was caught red-handed paying for 10,500 meals for 3,500 demonstrators who came to Brasilia to protest President Fernando Henrique Cardoso's proposal to amend the Constitution.

The governor came up with the revolutionary idea that plates of food, paid for with taxpayer money, would tone down the demonstrations. That was why, he says, Brasilia did not experience the tear gas and rock-throwing that occurred in Rio or the arrests that took place in Fortaleza. This must also be the reason why there is violence in Washington from time to time. On the grounds of equal rights, either the neo-Nazis of the Sao Paulo ABC [industrial region] or the wives of military personnel led by the hot-headed Jair Bolsonaro can disembark in Brasilia without fear. The taxpayers are buying lunch. And in this case, we are not just talking about taxpayers in Lago Sul or Candogolandia [zones in the Federal District], but in Leblon, Borel, the Jardims, Sao Miguel Paulista, the Mangabeiras—or Pituba, Boa Viagem, or Aldeota. The tab in Brasilia is a federal one.

Internal Crisis in PSDB Examined

95SM0275B Rio de Janeiro JORNAL DO BRASIL in Portuguese 19 Mar 95 p 5

[Commentary, "The PSDB Reigns But Does Not Govern," by Ilimar Franco]

[FBIS Translated Text] Brasilia—The prevailing impression in the PSDB [Brazilian Social Democracy Party] today, two-and-a-half months after Fernando Henrique Cardoso's inauguration, is that it won but did carry the presidential elections. In the wake of the crisis that led to the resignation of its former president, Pimenta da Veiga, the party is taking advantage of the moment to reflect internally on its objectives and the consistency of the power that, in theory, it has won. "No longer are internal divisions the PSDB's biggest problem; it's the relationship between the party's legislators, the president, and the cabinet ministers. The PSDB feels no commitment toward the Executive Branch," was the assessment given by one of the party's big names.

Founded in 1988 as an antithesis of the PMDB [Brazilian Democratic Movement Party], the PSDB is facing the same dilemmas associated with the attainment of power in a country where party institutions are extremely fragile. The PSDB, as some of its leaders see it, fulfilled the important role of rallying politicians around a social democratic platform and making the Fernando Henrique candidacy viable. Once the president was elected, the party found that it had assumed a secondary role and that the administration has become the center from which authority and political leadership radiate.

That realization is uncomfortable, especially in a party where only two of the 11 senators who ran for office were re-elected and where 38 of its 54 deputies are freshmen.

Portrait

The resignation of former party President Pimenta da Veiga can be considered as most accurately portraying this contest between the party and the administration. Having no way to confront the Executive Branch on an equal footing—specifically, Minister of Communications Sergio Motta, who insisted on holding onto the post of party secretary general—Pimenta preferred to pick up his marbles and go home. "What is there for the president of the party to do in a structure where the government is the political center?" asked one of the party's deputies, attempting to convey the dismay experienced by Pimenta.

Today's PSDB, according to the internal debates among its principal leaders, is a party free of serious political divisions. The Left—where Deputies Tuga Angerami (Sao Paulo), Domingos Leonelli (Bahia), and Almino Afonso (Sao Paulo) are gathered—men who still harbor some reservations about the economic reforms proposed by the administration—is in the minority and still has not identified its common ground. Not even the party knows what ideology unites those members. The regional strife between Paulistas and Cearenses, part of party history, is undergoing a period of accommodation. The *tucanos* are now divided between those who actually wield power and those who feel left out of the decision-making process.

"The group most closely connected with Sao Paulo has the power," said deputy Jayme Santana (Maranhao), referring to the predominance of *paulista tucanos* in the Cabinet. "The group that runs things has narrowed its level of participation," commented Deputy Saulo Queiroz (Mato Grosso do Sul), talking about the lack of a channel for political participation between the administration and the party. That gap concerns the party's leaders in the Chamber, Jose Anibal (Sao Paulo), and the Senate, Sergio Machado (Ceara). Some members of the delegation are already warning that part of the party might break with the administration, as happened in the PMDB during the Sarney government.

Process

They admit that internal complaints exist and concede that these are part of a natural process that occurs when an administration is settling in. "That's just the way it is: the party has militants who make demands and it is impossible to satisfy everyone," was the interpretation by the vice leader in the Chamber, Deputy Ubiratan

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Aguiar (Ceara). Even so, after openly-expressed complaints by several legislators against *tucano* ministers, Anibal and Machado went to work to lessen the friction and stifle the voices of protest.

Further complicating this battle for space in the government, the *tucanos* must still live with the PFL [Liberal Front Party] shadow. The top echelon of the PFL has presented itself publicly as the party most loyal to the administration and the only one that fully supports the reforms. On Wednesday, Senator Antonio Carlos Magalhaes (PFL-Bahia) said as much to Fernando Henrique at a dinner attended by senators from both the PSDB and PMDB.

"We must not get into this business of showing ourselves to be divided. Other parties are planning attacks on Cabinet ministers while, at the same time, they sell an image of unity and 100 percent alignment with the government," warned Sergio Machado, begging the party as a whole to show common sense.

"Both success and failure will be ours," added Deputy Arthur Virgilio (PSDB-Amazonas), irritated by the criticisms levied against Minister Clovis Carvalho and Secretary General of the Presidency Eduardo Jorge which, in his opinion, are nothing more that a disguised attack on the president. "We must not shoot ourselves in the foot and echo this shrillness that occurs early in an administration. What is most important to us is the affirmation of our plan," concurred Jose Anibal, listing the features of the party's political plan: building a reformist majority, maintaining a coalition of forces capable of enacting the measures necessary to ensure economic stability, and adopting an aggressive policy to achieve party growth.

Division Within PSDB Ranks Viewed

95SM0275A Sao Paulo GAZETA MERCANTIL in Portuguese 20 Mar 95 p 6

[Article by Brasilia correspondent Eliane Cantanhede]

[FBIS Translated Text] President Fernando Henrique Cardoso underestimated the crisis in the PSDB [Brazilian Social Democracy Party], which is his party but does not feel as though it is in power. More than a mere dispute between former party President Pimenta da Veiga and party Secretary General Sergio Motta, the crisis has exposed a serious division in the *tucanos*. On one side are "the *paulistas*" who have positions in the Executive Branch; on the other, "the rest of them," who have an obligation to defend the administration and its programs in Congress.

"The *paulistas*," as they have already been dubbed pejoratively within the party, are comprised especially of Ministers Jose Serra, of Planning, and Sergio Motta, of Communications. But they also include the chief of the civilian household, Clovis Carvalho, Minister of Education Paulo Renato de Souza (born in Rio Grande do Sul), and at least a dozen other *tucanos* who went directly from the academic battlefields to offices in the federal bureaucracy. Except for Serra, biggest vote-getter among the country's senators, the others had been extremely active in political movements. But they were never exposed to the tricks of the trade of Congress.

"The rest of them" refers to that mixed bag of legislators and former legislators who may not have been particularly distinguished at universities, but are familiar with the vicissitudes of negotiations in Congress and are demanding a wider role and more attention from the administration and from the president himself. In this group are Chamber Leader Jose Anibal, former Deputy Euclides Scalco and, of course, Pimenta da Veiga.

"Planalto Palace could mark out a middle ground between the two groups, but Fernando made his first political mistake when he assembled the Planalto team," said a leading *tucano* analyst, who still indulges in the privilege of calling the President of the Republic "Fernando." In his opinion, the Palace needs a political coordinator who listens to legislators, talks with reporters, keeps his radar attuned to political movements, and is always nearby and available to keep the president constantly well-informed in this area.

The job would not suit either the personality or the backgrounds of Clovis Carvalho or Secretary-general of the Presidency Eduardo Jorge Caldas Pereira. Both are disciplined, intelligent and efficient, but have no feel for the political-Congressional game. "They are excellent technicians, but the political sense is missing. Fernando is badly mistaken if he thinks he can handle this job all by himself," the source said.

The gap [preceding word in English] between the Administration PSDB and the Congressional PSDB is nothing more than what is happening, on a broader plane, in relations between the Executive and Legislative branches. "No conversation, no channel," complains an ally—one of the few who can be considered loyal in both good times and bad, but can still cast a critical eye on what he calls the "administration's mistakes."

Void in Informal Advisers to Cardoso Seen

95SM0279D Rio de Janeiro JORNAL DO BRASIL in Portuguese 1 Apr 95 p 2

[Commentary by Marcelo Pontes of "Castello's Column": "Triumvirate To Help Administration"]

[FBIS Translated Text] Tasso Jereissati, governor of Ceara and one of President Fernando Henrique Cardoso's most frequent and trusted advisers, has a theory that every ruler needs the informal advice of a group of friends and people with whom he is in complete political agreement. He has such an advisory group in Ceara, and Fernando Henrique also had his when he was minister of finance.

Back then, Mario Covas, Jose Richa, Jose Serra, and Tasso himself were always near Fernando Henrique. The

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members of the group were always perfectly in tune with each other. When the time came to take to the streets or go into battle, ideas were arranged, plans laid out, defenses set up, and tasks very carefully defined and distributed.

That group has disappeared. Now Fernando Henrique is without informal and trustworthy advice. Noting that fact, Tasso has been going around talking about how the president should be helped politically. He admits that the administration's relations with Congress are very complicated, chiefly because of fragmentation within the parties and the lack of a strong and hegemonic leadership capable of engaging in dialogue and making decisions. The PMDB [Brazilian Democratic Movement Party] is the best example of that situation. It has an infinite number of groups and even deputies who do not take orders from anybody.

That is the reality, and the administration cannot escape it. Passage of every bill is a close call. That was the case with passage of the Real Plan, and there is nothing to indicate that the administration is safe from more hitches in the future as it tries to keep that plan going. The administration and the plan will be living in fear of Congress.

While that is the reality, Tasso has been arguing to himself and to a few very special friends, among them Antonio Carlos Magalhaes [ACM], that the administration must join with Congress in some way to deal with the question of filling second- and third-echelon positions.

ACM considers it easier to deal with that matter. He feels that the administration should establish a number of guidelines and that it should do so right away. For example, the financial and technical departments of the state telephone companies would not be given to anyone. ACM doubts that in the wake of a warning like that, any politician would have the courage to ask the president for those jobs. But there is no reason, in ACM's opinion, to prevent the parties or the politicians from recommending someone to head, for example, a state office of the Ministry of Agriculture.

Members of the PSDB [Brazilian Social Democracy Party] are not as shameless as members of the PFL [Liberal Front Party] when it comes to recommending appointments. In general, they feel that appointments are only that: appointments, not weapons of the administration. ACM even jokes about the timidity of the PSDB's members. He says they have to get rid of a few ideas left over from the past, otherwise they will be unable to govern. Although the signs are very slight, it can already be seen that as part of the administration, the PSDB is trying to make adjustments between its timidity and the administration's need to survive.

Tasso, for example, feels that nothing is going to be resolved on the basis of appointments. First of all, because it is absolutely impossible to satisfy everyone. Second, because there is also the risk that the quality of service to the public will be made worse. Not to mention the danger of tarnishing the reputation of the PSDB community.

Tasso feels that without some form of negotiation in the near future, there will be no permanent solution to the soap opera of filling second- and third-echelon positions. Since there is no other solution, why not tackle the problem head-on?

That is where we see the appearance of a formula being sold as ingenious but one which is not very different from all those applied to this problem in the past. There are two ways to describe it. Tasso, for example, has the idea that an informal and extremely discreet advisory group to the president could handle the matter.

ACM is thinking of a triumvirate of heavyweight political leaders. That group would include himself—ACM—plus Tasso and a third party. Tasso does not like the idea of a triumvirate. But he mentions a third name that would fit in very well with President Fernando Henrique's circle of very discreet friends and advisers: that of the governor of Rio Grande do Sul, Antonio Britto.

Lack of Coherence Within Government Viewed

95SM0279C Rio de Janeiro JORNAL DO BRASIL in Portuguese 2 Apr 95 p 2

[Commentary by Marcelo Pontes of "Castello's Column": "Coherence, a Product in Short Supply"]

[FBIS Translated Text] The government's problem is no longer the lack of communication. It is the lack of coherence. Allegedly because of a lack of communication, a meeting of the full cabinet was held a week ago, and then, five days later, the secretary of public relations of the Presidency, Roberto Muylaert, was in the hot seat.

The incoherence begins with Muylaert himself. If he was sincere in confessing that he was a television executive, not a marketing expert, why in the world did he agree to take over a secretariat whose responsibilities include precisely that of attending to the president's image? The same issue of the DIARIO OFICIAL that contained the announcement of Muylaert's appointment also contained Provisional Measure No. 813 announcing the new organization of the Presidency and the ministries.

According to that measure, the Secretariat of Public Relations takes care of distance learning, in which Muylaert has a doctorate, as well as the "control, supervision, and coordination of publicity for the organs and agencies of the federal public administration, direct and indirect, and for companies under the control of the Union." And to round things off, it was also given an Under Secretariat of Institutional Communication in addition to the Under Secretariat of Press and Announcements and that

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of Distance Learning. What else was lacking to take care of the government's image? Only the right man in the right place.

But Muylaert's case is water under the bridge. It merely serves as an initial example of how the lack of coherence is corroding from within, almost without being noticed, an administration that has always prided itself on being sincere and coherent.

Let us look at other recent examples. The president has ordered the social security reform, which he had been calling a priority, put on hold, and says that is not a step backward. Is it a step forward, then, or is it nothing? The truth is that the administration now admits, internally but not publicly, that it made a mistake by sending both the social security reform and the reform of the economic order to Congress at the same time.

It was an overcrowded agenda, and the most immediate result was colossal confusion in the minds of contributors to social security. Everyone took fright, without understanding what it is about social security that the administration actually wants to change. Now the administration wants to focus its efforts on approval of the economic order, its argument being that by doing so, it can send positive signals to foreign investors. But there has been a step backward in the case of social security. And in this case, a step backward means failure—a defeat for the first attempt to reform social security.

How is it possible to organize the public relations of an administration which has been preaching openness to the international market as dogma since its beginning but which then, overnight, slaps a 70-percent tariff on a huge list of imported products? It even says that that measure has affected only the rich, as though, in the gap between the millionaires buying imported cars and the poor wretches caught below the poverty line, there were no purchasers of electric fans and electric irons.

It is very probable that the administration has justification for doing everything it is doing. But it loses its way when it conceals the reason for its actions and then tries to play everyone for a fool, both in recent cases and in other cases farther in the past. One recent case: two days after it published the list of imported products with a 70-percent tariff, the president stated that he might change it. A less recent case: the pardon granted to Senator Humberto Lucena, which was mentioned yesterday in the president's interview.

Few people know that at heart, Fernando Henrique was convinced that the punishment meted out to Lucena was too severe for the electoral crime of which he was accused. But the president lacked the courage to say so publicly. Fernando Henrique denied yesterday that he had made a concession in Lucena's case.

But a few weeks ago, when he pardoned the senator, he was following not only his personal conviction but also his intuition that vetoing the bill would cause a quarrel with unpredictable consequences with a Congress that he was going to need very badly when the time came to vote on constitutional reform.

If the administration had had a problem with communication, the number of citizens rating their government as good or very good would not have jumped from 36 percent at the end of January to 39 percent in the second half of March, according to a poll by DataFolha. This proves two things: that Roberto Muylaert's alleged ineffectiveness was not noticed by the people and that neither was the administration's lack of coherence. The administration has now ridded itself of Muylaert. Until it overcomes its lack of coherence, the damage will be much greater.

Significance of PT, PDT Alliance Seen

95SM0279A Sao Paulo O ESTADO DE SAO PAULO in Portuguese 30 Mar 95 p A2

[Commentary by Roberto Macedo: "PT + PDT = PBdoC"; introductory paragraph in italics as published]

[FBIS Translated Text] *Roberto Macedo, an economist, is a professor at the University of Sao Paulo's FEA [School of Economics and Administration] and Mackenzie University and a researcher for the FIPE [Economic Research Institute Foundation].*

Lula and Brizola have met in Rio de Janeiro and decided to establish a mobilization front against the constitutional reforms being proposed by the administration. It is known that they are opposed, but no one knows what they favor—that is, what their alternative proposals are. That being the case, the union between the PT [Workers Party] and the PDT [Democratic Labor Party] signifies the establishment of something like the PBdoC (Brazilian Against Party). Any similarity with the PCdoB [Communist Party of Brazil] is no mere coincidence, since the latter also plays the "against" game.

Behind the PT is the CUT [Sole Workers Center]. A friend of mine, Celso Barroso Leite, a distinguished phrasemaker, says that the people in CUT do not discuss things: they only say "CUT." And without discussion, what the PT and PDT are also saying is "CUT," or "We Are All United Against" [the Portuguese acronym for which is also "CUT"]. Poor Fernando Henrique. He does not deserve that opposition, even with the gang of crooks he has in the administration.

Since there are no alternative proposals, it can be admitted that our "againers" are in fact in favor of maintaining the status quo and leaving the Constitution as it is. Especially since, in their minds, it makes sense. Brizola's national populism is joining with the PT's corporatism, and the result is idolatry for the government-owned firms. The so-called Left, formerly also known as the vanguard, progressive or reformist, now smells like the Right: the preserver of inefficiencies, privileges, and inequities.

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The current Constitution concentrates income and does not encourage the democratization of capital. Its social security system is ineffective, inefficient, and inequitable. The same applies to the tax system. What economic order there is firmly establishes monopolies and privileges that are the antithesis of economic efficiency. Its organization of public finance predisposes the country to chronic inflation, an endemic disease that further weakens the poorest, most destitute, and most excluded citizens. As for the latter, they are treated well on paper, being guaranteed rights that are unattainable in practice and fully achieved only by the privileged groups defended by the PBdoC. The proposed reforms at least create the prospect of changing this state of things. The absence of serious alternatives on the "against" side does not even do that. That being the case, PBdoC also stands for "Brazilian Party of Conservatism."

We freed ourselves of military and political dictatorship. The authoritarian rule that lifted the country out of the hole of combined inflation and stagnation in which it found itself in the early 1960's ended up leading it back into that state of "stagflation." Fortunately, political liberalization appeared, but it has not fulfilled its promise as far as performance is concerned because, being unable to solve the macroeconomic problems, it has ended up making the social problems worse. The election of Fernando Henrique created the hope that it would be possible to keep that promise in an atmosphere in which rational solutions to the economic problems could be reached democratically. Those in power are now discovering, if they did not already know it, how easy it is to simply be the opposition. But they were elected on the strength of their proposals, and they cannot retreat now, since the essential thing is to keep that hope alive—a hope now threatened by the irrationality of those who have joined together in the PBdoC and others like them.

Swiss Company To Be Sued for Not Returning Uranium

PY1704142095 Madrid EFE in Spanish 2128 GMT 15 Apr 95

[FBIS Translated Text] Brasilia, 15 Apr (EFE)—Government sources today reported that the Brazilian Government will sue a Swiss company allegedly involved in the diversion of a large shipment of Brazilian enriched uranium because it did not return 27 tonnes of mineral.

The uranium, whose commercial value is $424,600, had been "rented" to the Swiss company Nuexco.

The Nuclear Industries of Brazil (INB) reported in Brasilia that the product was delivered to the Swiss company Nuexco following a contract signed in December 1993.

The mineral is in Europe and Brazil was supposed to pay $200,000 per year for its storage.

Nuexco declared bankruptcy last February.

The INB said that the amount of uranium not returned by Nuexco is equivalent to two weeks of production of the Pocos de Caldas mine located in Goias State, central Brazil.

The local media has linked Nuexco, which trades this mineral, with the alleged disappearance of a Brazilian ship carrying 274 tonnes of Brazilian uranium.

The INB has reported that the mineral, from which nuclear fuel is made, arrived by sea at its actual destination in Canada.

"It was a storm in a teacup," said INB President Roberto Franza in statements to the newspaper CORREIO BRASILIENSE.

Franza reported that the uranium was enriched by the Canadian company Cameco.

According to the newspaper charges, it was feared that the enriched uranium may have wound up in Iraq [as received].

Chile

Frei, Turkish President Sign Joint Declaration

PY1804002895 Santiago EL MERCURIO in Spanish 8 Apr 95 p C3

[FBIS Translated Text] President Eduardo Frei and his Turkish counterpart Suleyman Demirel said yesterday, after a meeting held at the La Moneda palace, that bilateral relations between Chile and Turkey will be strengthened in the upcoming years.

Within this process the two countries will become the gateways for their regional markets.

Yesterday the two presidents signed a joint declaration through which they endorsed the principle of freedom of trade and the elimination of tariff barriers. The foreign ministers of the two countries also signed a cultural and scientific cooperation agreement mainly concerning education.

During the second day of his official visit, President Demirel assessed with President Frei the state of bilateral relations, which were strengthened last year when Chile reinstalled an ambassador to Turkey. The Chilean ambassador was withdrawn in 1990 and the highest official left was the charge d'affaires.

In a meeting with the media President Frei emphasized how important Turkey is in Europe in its relations with our country because Turkey is in process of joining the European Union. Frei also noted that Turkey is a bridge between Europe and Asia.

Frei announced that an agreement on the protection and promotion of investments will soon be signed and that the problem of double tariffs will also be resolved soon.

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President Suleyman Demirel said that the changes taking place in the world are leading to a process of cooperation, and that the two countries have many similar political views and mutual interests.

Demirel, who is ending his visit tomorrow, said that Turkey and Chile are like gateways for their regional markets. He also talked about the many trips made by business missions from the two countries.

He said that Chile and Turkey are democratic countries that want to cooperate in the process of world peace, and that this is why efforts are being made to establish an association between the two countries.

Asked about the armed conflict with the Kurdish population, Demirel clarified that his government is not confronting the Kurds, but rather groups of terrorists.

He said that "the Turkish Government is not taking away from anyone the right to live," and that terrorism killed 1,300 people last year.

Demirel said that the military operation aims to eliminate terrorists, and that it is being carried out on the basis of defending the population from attacks.

Demirel carried out many activities yesterday, one of which was being declared an illustrious visitor by Vitacura Mayor Patricia Alessandri.

The act was held at noon in the Republic of Turkey Plaza located at Francisco de Aguirre and Obispo Sierra Streets.

Colombia

Ambassador to U.S. Sends Letter Protesting U.S. Criticism

PA1804042695 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0230 GMT 18 Apr 95

[From the "QAP News" newscast]

[FBIS Translated Text] Carlos Lleras de la Fuente, Colombian ambassador to the United States has sent a strong letter to important U.S. Government officials and newspapers in an attempt to stop the wave of criticism against our country.

The letters were sent to Senator Jesse Helms, former drug czar William Bennett, and to the dailies THE NEW YORK TIMES and THE WASHINGTON POST, where they were published in the editorial pages.

In his letter, Ambassador Lleras de la Fuente demanded a stop to the wave of calumnies unleashed against our country.

[Begin Lleras de la Fuente recording] Anyone who claims to have evidence against our government or government officials should present it, or otherwise should say nothing. [end recording]

Lleras de la Fuente said he is not worried about Senator Helms' proposal to withdraw U.S. aid to Colombia if drug trafficking is not eradicated within a year.

[Begin Lleras de la Fuente recording] Senator Helm's proposal sounds like a bad doctor who determines that the easiest way to cure the patient is by killing him. I hope his fellow congressmen will not share his philosophy. [end recording]

Ambassador Lleras de la Fuente said he expects a reply to his complaints because, he said, many negative things have been said and published about Colombia based on gossip and rumors, but nobody stands up for what is said.

Paraguay

Foreign Minister Leaves for Venezuela, Argentina

PY1704161995 Asuncion NOTICIAS in Spanish 13 Apr 95 p 21

[FBIS Translated Text] Foreign Minister Luis Maria Ramirez Boettner yesterday left for a two-day visit to Caracas, Venezuela, with a stopover in Buenos Aires. While in Caracas, the foreign minister will enhance our fraternal bilateral relations and pursue new agreements in various areas involving trade, commercial flights, and culture.

Ramirez Boettner will thus reciprocate a visit by his Venezuelan counterpart Miguel Angel Burelli Rivas, who visited our country in late 1994. It was officially announced that the Paraguayan and Venezuelan foreign ministers will install the Paraguayan-Venezuelan Mixed Commission for the Struggle Against Antinarcotics [Comision Mixta Paraguayo-Venezolana de Lucha Contra el Narcotrafico], and implement a cultural agreement which has already been signed. They will also finalize an agreement on commercial flights. Paraguayan Airlines Inc. (LAPSA) and VIASA [Venezuelan International Aviation, Inc.] have planned two routes; Asuncion-New York, with a stopover in Caracas, and Caracas-Buenos Aires, with a stopover in Asuncion, respectively.

Ramirez Boettner will be accompanied by Foreign Trade Director Ruben Ramirez. They will be joined there by Paraguayan Ambassador to Venezuela Licinio Rodolfo Gill Duarte, who will soon be appointed concurrent ambassador to Trinidad and Tobago.

Ramirez Boettner will also hold talks with the Venezuelan president, other government officials, and leaders from various political parties, including former President Herrera Campins.

The foreign minister will make a stopover in Buenos Aires where he has scheduled various inspection visits. He will become acquainted with the specific activities of the Paraguayan Embassy [in Buenos Aires]—which is

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headed by Gustavo Diaz de Vivar—and the Paraguayan Consulate General, which is under Juan Esteche Fanego.

Peru

JNE Announces Change 90 Wins Presidential Elections

PY1704171895 Lima Radio Programas del Peru Network in Spanish 1140 GMT 17 Apr 95

[FBIS Translated Text] We will now hear Ricardo Nugent, president of the National Election Board [JNE], announcing that Change-90 New Majority has won the presidential elections:

[Begin Nugent recording] For president and vice president of the Republic:

Change 90-New Majority: 4,796,953 votes, which represents 64.42 percent;

Union for Peru Movement: 1,624,411 votes, 21.81 percent;

American Popular Revolutionary Movement [APRA]: 306,213 votes, 4.11 percent;

Democratic Coordinating Movement-Peru Viable Nation: 241,226 votes, 3.24 percent;

National Civic Movement [Movimiento Civico Nacional]: 192,289 votes; 2.58 percent. [end recording]

Change 90-New Majority will hold a majority of 67 seats in Congress, according to the JNE president.

[Begin Nugent recording] The seats in Congress will be distributed as follows:

Change 90-New Majority: 67 seats; Union for Peru Movement: 17; APRA: eight; Independent Moralization Front: six; Democratic Coordination Movement-Peru Viable Nation: five; Popular Action Party: four; Renewal Movement: three; Popular Christian Party: three; United Left: two; Obras Civic Movement: two; Popular Agricultural Front of Peru: one; Independent Agrarian Movement: one; Peruvian Movement to the Year 2000: one. [end recording]

[Madrid EFE in Spanish at 0914 GMT on 17 April carries an approximately 600-word report by Francisco Osaba, datelined Lima, on the Peruvian elections and vote count results that adds the following: "After the conclusion of the vote count for the 9 April general elections, President Alberto Fujimori has emerged as the winner in the 24 Peruvian departments and in El Callao Constitutional Province."]

Uruguay

New Bank Boards Appointed

PY1704193995 Montevideo BUSQUEDA in Spanish 19 Apr 95 p 11

[FBIS Translated Text] With the Broad Front as the only opposition, the Senate on 5 April approved the appointment of the boards of directors of the Central Bank of Uruguay (BCU), the Bank of Uruguay (BROU), and the Social Security Bank (BPS).

The Broad Front left coalition announced on 3 April that, because it was "unjustly" removed from state comptrolling organizations, it would not vote for any proposal by the executive branch.

The new directors of the three governmental banking institutions received the votes of the Colorado Party, the National Party, the Party for the Government of People, and the New Sector.

The BCU board of directors comprises chairman Ricardo Pascale (Battleist Forum), deputy chairman Humberto Capote (Battleist Forum), and member Mario Buchelli (Down to Work faction).

The BROU board comprises chairman Cesar Rodriguez Battle (Radical Battleist faction), deputy chairman Julio Iglesias (Battleist Forum), and members Dante Buonomo (Crusade 94), Pablo Garcia Pintos (Herreraist faction), and Carlos Barbe (Down to Work faction).

The BPS board comprises chairman Juan Berchesi (Battleist Forum), deputy chairman Armando Quisique (Crusade 94), and members Ofelia Mila (Down to Work faction) and Ignacio Risso (Herreraist faction). They will be joined by directors representing entrepreneurial, trade union, and retiree organizations.

BUSQUEDA also learned that former Senator Carlos Cassina (Party for the Government of People) will become State Insurance Bank [Banco de Seguros del Estado] (BSE) president soon.

Venezuela

Exchange Board Statement on Brady Bonds

PA1504173195 Caracas EL UNIVERSAL In Spanish 12 Apr 95 Section 2 p 1

["Text" of statement by the Exchange Administration Board addressed to President Rafael Caldera, Finance Minister Luis Raul Matos Azocar, Central Bank of Venezuela President Antonio Casas Gonzalez, National Securities Commission Chairman Romulo Torres, and Caracas Stock Exchange President Alejandro Salcedo, issued on 11 April in Caracas]

[FBIS Translated Text]

Regarding the legality of the inscription in the Caracas Stock Exchange, S.A. of public foreign debt securities denominated in foreign currencies

Regarding the method of selling "Brady bonds" in the national stock market, our considerations are as follows:

The current foreign exchange regulations established in Venezuela were defined following a short period of time during which foreign currency exchange was suspended. In effect, on 9 July 1994, Decree-Law No. 268 was enacted. This decree was later modified by Decree-Law No. 286 of 22 July 1994, which was replaced by Decree-Law No. 326 of 31 August 1994. To make the analysis we

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propose to make it is essential to determine which type of control of currency exchange—among those defined within the framework of the international experience regarding currency—is established in our country. Now then, international experience indicates that four basic types of currency exchange systems have been used, and these are:

A) The so-called singular, absolute, and overall exchange rate control in which the government controls all foreign currencies that, for whatsoever reason, the citizens might receive, as well as the currencies they may want to send abroad. Under this system the citizens are obligated to buy and sell all the currency they have received or may require for international transactions from the state organization, which has been given the currency exchange monopoly. Likewise, the currency will have only one legal buying or selling price, which will be determined by the state. The goal of this system is to control all currency that circulates in the country, forcing the centralization of foreign exchange into one government agency, which is usually the issuing bank.

B) The parallel or dual-market foreign exchange control system. This type of control takes place in the following way: the citizens are obligated to give the authorized currency exchange organization a percentage or the total amount of currency they obtained from specific activities, leaving them leeway to use the uncontrolled currency, which they may trade at an authorized market. Under this system, two legal currency markets coexist: one with an official fixed exchange rate and the other with a rate that fluctuates according to the supply and demand of the market.

C) The multiple-exchange system. Under this type of currency control, international payment terms are assigned at different prices to the petitioners depending on what the currency will be used for. For example: there will be one price for currency used for imports, another price for traveling abroad, debt payments, remittances, and so on.

D) Another system is called the bidding or the Dutch system, in which the government places up for bidding certain amounts of currency, which are purchased by interested parties at prices established in the process.

In our country, the decree-laws previously mentioned defining the existing foreign exchange control system state that it is a singular and overall system, because the entire system is centralized and citizens are forced to buy and sell their currencies from the Central Bank of Venezuela. This is unequivocally established by Article 2 of Decree-Law No. 326, dated 31 August 1994, which states:

"Article 2. The Central Bank of Venezuela will centralize the buying and selling of currency, excluding any exceptions that may be established, and will buy and sell foreign currency at the exchange rates fixed through exchange rate agreements."

The present exchange control system, derived from the Regulations for Managing and Buying Foreign Currency, described in Decree 326 of 31 August 1994, basically consists of—in addition to registration, authorization, and inspection mechanisms, administrative penalties, and the centralization of the purchase and sale of foreign exchange by the Central Bank of Venezuela [BCV]—limiting and restricting the local currency's free convertibility and fixing a single exchange rate for all operations involving the purchase and sale of foreign currency, thereby eliminating the free play of supply and demand for setting this rate. These restrictions are set forth in Exchange Agreement 1 of 9 July 1994, according to Article 1 of the decree mentioned.

Exchange Agreement 1, signed between the BCV and the Finance Ministry, determines the mandate mentioned above, setting a single rate for buying and selling international payment instruments. Similarly, it is worth mentioning that Paragraph 11 of Article 21 of the BCV Law gives the bank this regulating power under normal circumstances. In other words, the state, through exchange agreements, sets the bolivar's exchange rates in relation to foreign currencies, particularly in relation to the U.S. dollar.

Consequently, the legal tender's full external convertibility into foreign currencies, covered by Article 89 of the BCV Law, has been restricted by the BCV's mandatory intermediation, because only the BCV can sell foreign currencies for the operations authorized by Clause 8 of Decree 326, and also because the use or promotion of an exchange rate other than that stipulated in Articles 2, 30, and 36, as well as Clause 8 of the referent agreement, is prohibited. Such prohibition would include, for instance, free supply and demand in a market other than the one officially controlled. In addition, the prohibition of using foreign currency as an instrument for paying obligations signed in Venezuela comes from the free convertibility restriction.

Furthermore, given the restrictions imposed on the free foreign exchange market because of the suspension of the economic freedom guarantee, one of whose expressions is the possibility of making foreign currency transactions at an exchange rate other than the official one, the possibility of registering in the Venezuelan securities market the bonds described in Article 5 of the law that authorized the issuance of such bonds is similarly restricted for as long as the exchange control remains in effect. As it has been said, this control is based on the suspension of the economic guarantees, as stated by Decree 326 of 31 August 1994, which was enacted after the law that deals with the issuance of the bonds mentioned above.

The proposed system for acquiring the so-called Brady bonds through their registration and sale at the Caracas Securities Market involves transactions in listed securities [especies cotizables]. In other words, their prices are determined by operations conducted at the Securities

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Market through the free play of supply and demand. In fact, the nature of a stock-exchange institution is that the price of the securities that have been registered is determined by the operations conducted at the institution.

The quoted prices are advertised, thereby obtaining a variable price in bolivares, corresponding to the quotation obtained in each operation, for those public debt securities denominated in dollars. In other words, a type of exchange would be established, based on the transactions of these securities at the Stock Exchange, that is different from the ones used in other operations made in bolivares to buy foreign exchange. Now, then: Operations involving the purchase or sale in bolivares of credit documents denominated in foreign currency, such as certain operations carried out on the Stock Exchange that, because of the mechanism that sets the rate according to the factors of supply and demand, directly or indirectly establish an exchange rate different than that established in Exchange Agreement No. 1, happen to violate the limitations and restrictions imposed on the convertibility of the national currency by Articles 1 and 2 of Decree No. 326 dated 31 August 1994, which were cited earlier, and, therefore, could be subject to the sanctions described in Articles 30 and 36 of the same decree. The immediate consequence is, obviously, that the country will have another foreign exchange rate that would result from the valuation generated by the value of the dollar in reference to the bolivar in the negotiations of the public debt bonds. Venezuela will stop being a country with a sole foreign exchange system as of that moment, because two rates will be valid: an official rate determined by the valid foreign exchange agreement and another one determined by the fluctuations of the bolivar regarding the dollar in the negotiations of the public debt bonds at the national stock market.

Furthermore, the concrete transaction of buying public debt securities in dollars, through the payment in national currency, given the nature of such a stock security, is basically converting bolivares into foreign exchange. In fact, those securities represent an incorporated right to credit, because they are actually credit securities, can be used as payment for other operations or sold for their value in dollars, and are, thus, equivalent to cash. The Republic will definitely have to make payment in the cases where the bolivares have been converted into dollars.

Now, if the mentioned securities are sold abroad, it is true the dollars obtained in exchange for the bolivares do not come from the international reserves of the BCV but, rather, from other external sources. In practice, through the payment of the equivalent in bolivares of the price quoted in dollars, foreign exchange is obtained when it is negotiated or transferred or when its interests are paid periodically, becoming in reality a conversion of bolivares to dollars. In other words, the mentioned mechanism for the sale of the referent public debt securities by paying them in bolivares in Venezuela allows for their conversion in the end to foreign exchange, which is restricted and limited by Decree No. 326 already mentioned.

Thus, and based on what we have presented, the Exchange Administration Board believes the setting of prices of the "Brady bonds," securities denominated in dollars through offer and demand, is nothing less than promoting a type of exchange that is different from the legal one with a mechanism that has not been provided or allowed in the foreign exchange regulations or authorized by the respective Foreign Exchange Agreement.

Report the present agreement to the president of the Republic, the finance minister, the BCV president, the National Securities Commission president, and the Caracas Stock Exchange, S.A. president.

Domingo F. Maza Zavala, Samuel Wilhelm, Luis Raul Matos Azocar, Pedro Miguel Pareles, Roman J. Duque Corredor

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